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Centran Corporation

ANNUAL REPORT 77

CENTRAL NATIONAL BANK OF CLEVELAND ■ CENTRAL CLEVELAND INTERNATIONAL BANK ■ CENTRAN BANK OF AKRON
THE RICHLAND TRUST CO. ■ THE FARMERS AND SAVINGS BANK ■ THE SUTTON STATE BANK ■ COLONIAL FINANCIAL SERVICE, INC.
MAJOR FINANCE CORPORATION ■ PEOPLES INVESTMENT COMPANY ■ PROTECTIVE LOAN CORPORATION

Centran
Corporation

ANNUAL REPORT
77

Centran Corporation is a major, regional bank holding company with total assets of more than $2.3 billion. Centran's headquarters is located in Cleveland, Ohio, and its affiliated banks and consumer finance companies provide financial services through more than 100 offices located in the United States and in key international centers.

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Highlights

For the Year	**1977**	**1976**
Income Before Security Transactions	$ 16,498,000	$ 16,655,000
Security Losses Net of Taxes	(842,000)	(203,000)
Net Income	15,656,000	16,452,000
Return on Capital:		
Income Before Security Transactions	11.12%	12.01%
Net Income	10.55	11.87
Average Common Shares Outstanding	3,858,446	3,840,020
Per Common Share		
Income Before Security Transactions	$ 4.20	$ 4.30
Security Losses Net of Taxes	(.22)	(.05)
Net Income	3.98	4.25
Cash Dividends Declared	1.90	1.80
Common Capital	38.88	36.85
At Year-End		
Total Assets	$2,333,901,000	$2,372,847,000
Total Deposits	1,742,758,000	1,740,647,000
Net Loans	1,066,871,000	1,106,649,000
Common Shares Outstanding	3,862,749	3,849,924
Common Shareholders	11,423	11,793
Employees	2,590	2,518

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Chairman's Letter

Dear Shareholders and Employees:

I am pleased to forward this report on Centran Corporation's sixth year as a multi-bank holding company—a year marked by significant achievements.

Although Centran's operating earnings for the 12 months ended December 31, 1977, were slightly lower than those for 1976, they still were the second highest recorded by the corporation.

Operating earnings (income before security transactions) for 1977 were $16,498,000, compared with 1976's record $16,655,000. Operating earnings per common share decreased 2.3% to $4.20 in 1977 from $4.30 in 1976.

Net income for the year was $15,656,000, or $3.98 per common share, compared with $16,452,000, or $4.25 per share, in 1976.

As was noted in our 1976 Annual Report, an unusually large amount of Centran's 1976 income, particularly during the fourth quarter, was derived from trading account transactions as the result of unique opportunities in the market for U.S. Treasury securities. We stated that it was unlikely that comparable opportunities would recur in 1977, and they did not.

Financial Review

Centran's total interest income was up 6.1% from 1976 because of an increase in average earning assets. Interest expense also was higher in 1977 due to increased borrowed funds at rates nearly equal to those of 1976. As a result, the interest differential—computed on a taxable equivalent basis—was 4.27%, compared with 4.46% in 1976, reflecting an investment in lower yielding securities in the absence of strong loan demand throughout most of the year.

Trust fees increased $389,000, and other income increased $1,268,000, over 1976. Trading account income was down $5,515,000. Operating expenses decreased 2.5% from the 1976 expenses, primarily due to a decrease in the provision for loan losses.

Centran's 1977 provision for loan losses of $4.0 million was $368,000 greater than net charge-offs for the year and was substantially lower than the 1976 provision of $7.6 million.

The total amount of non-accrual, restructured, and "close-attention" loans was $29.4 million, a reduction of $8.0 million from the total of $37.4 million at year-end 1976.

The allowance for loan losses of $18.1 million at the end of 1977 was $463,000 greater than at the end of 1976, and the ratio of the allowance for loan losses to outstanding loans increased to 1.67% from 1.57% at December 31, 1976.

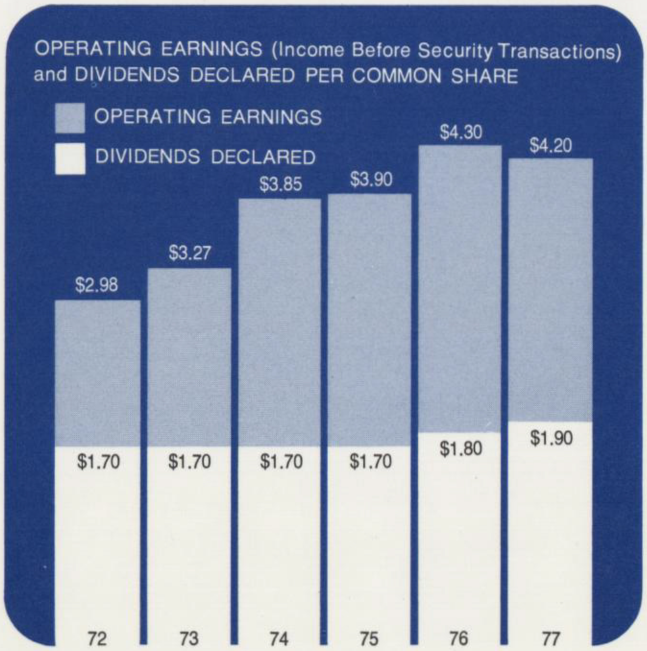
The Board of Directors declared dividends of $1.90 per common share in 1977, compared with $1.80 in 1976 and $1.70 in 1975.

Book value per common share increased 5.5% to $38.88 at December 31, 1977, from $36.85 the previous year.

We have provided a substantial amount of additional data in the Financial Section of this report for the benefit of shareholders and members of the investment community who wish to make a thorough analysis of Centran's performance.

Significant Events of 1977

Early in 1977, Centran completed a $21 million private placement of promissory notes with a group of institutional investors. Proceeds from the sale of these notes are being used to stabilize the cost of funds advanced to our



finance-company affiliates and help them maintain satisfactory interest margins. The notes were rated "A" by Moody's and by Standard & Poor's. Simultaneously, both firms also assigned an "A" rating to Centran's 7.85% debentures due in 1997. Standard & Poor's also gave its top rating, "A-1," to Centran's commercial paper.

Central National Bank of Cleveland, our principal affiliate, acquired the Central National Bank Building property last fall. Central Bank acted under a "right of first refusal" clause in its lease, which was activated by the proposed sale of the property to another party. The 23-story building has been a profitable operation since its completion in 1969. It has been fully occupied by tenants of national or local prominence, and Central Bank anticipates no difficulty in maintaining full occupancy. The headquarters of Centran and Central Bank now occupy more than one-half of the building.

Following Central Bank's decision to eliminate its stock transfer operations, Morgan Guaranty Trust Company of New York was appointed transfer agent for Centran's common stock late in 1977. This transfer agent also was authorized to offer an automatic dividend reinvestment plan to our shareholders. Centran is paying the administrative fees on behalf of those shareholders who choose to participate in this plan.

1978 Objectives

The policies and strategic planning activities of Centran's affiliated banks and consumer finance companies are coordinated by a Policy Committee to ensure that Centran obtains the benefit of a collective effort in executing common functions.

In addition to myself, this committee consists of Charles S. Lawrence III, vice president of Centran and president of Central National Bank; Gordon J. Sevold, our treasurer; four executive vice presidents of Central National Bank, James M. Large, Jr., John M. McEwan, A. W. Redmon, and Jack C. Rothwell; and Thomas M. Neel, Central Bank's controller.

This committee has devoted its attention during the past year to establishing a basis for the improved growth and profitability of our major banking functions—corporate banking, retail banking, international banking, trust services, and operations services. Significant progress was achieved in 1977, particularly at Central National Bank, our principal affiliate. This progress and our 1978 objectives are reviewed in the Operations section of this report.

These objectives include an increase in deposits, loans, and fee-oriented services, which are essential to sustain earnings growth. On the other hand, operating expenses—and loan losses in particular— must be rigidly controlled. Loan quality, therefore, cannot be sacrificed in an effort to gain loan volume. Thus, another of our objectives is to continue to upgrade the lending skills and credit administration techniques of all lending officers.

And, through a program of formal training, challenging job assignments, and self-development, we are seeking a more satisfying and effective utilization of Centran's human resources.

Continued

Policy Committee members (left to right):

John A. Gelbach
Chairman and Chief Executive
Centran Corporation
Central National Bank

Charles S. Lawrence III
Vice President
Centran Corporation
President
Central National Bank

John M. McEwan
Executive Vice President
Retail Banking
Central National Bank

A.W. Redmon (standing)
Executive Vice President
Operations Services
Central National Bank

Thomas M. Neel
Vice President and Controller
Central National Bank

Jack C. Rothwell (standing)
Executive Vice President
Chief Economist
Central National Bank

James M. Large, Jr.
Executive Vice President
Corporate Banking
Central National Bank

Gordon J. Sevold (standing)
Treasurer
Centran Corporation

Finally, we recognize that Centran's affiliates are an integral part of the communities which they serve. The future of both is inextricably linked together. Therefore, Centran's men and women are being encouraged to become personally involved in the civic and cultural activities of their communities.

Although these men and women reside in the many states where Centran's bank and consumer finance company affiliates operate, the vast majority live in the northern Ohio area, which is the heart of industrial America.

Opportunities for Growth

Of the nation's 1,000 largest industrial corporations, 84 have their headquarters in Ohio. More than half of these are located in northern Ohio with 40 in the Greater Cleveland area alone. In addition, 15,000 smaller, privately owned companies also are based in Greater Cleveland. With annual sales of up to $50 million, these 15,000 companies produce 55% of our local Gross National Product and employ half of our total work force. Representing an unusual diversity of industries, these public and privately owned companies provide a strong economic base for the region served by Centran and its affiliated banks.

This industrial base has produced a rapidly growing service-oriented economic segment. Our region is moving to the forefront in fields such as law, accounting, investment banking, communications, graphic arts, data processing, research and development, and medical care. As a result, the character of the population is shifting to greater numbers of professional people with above-average incomes.

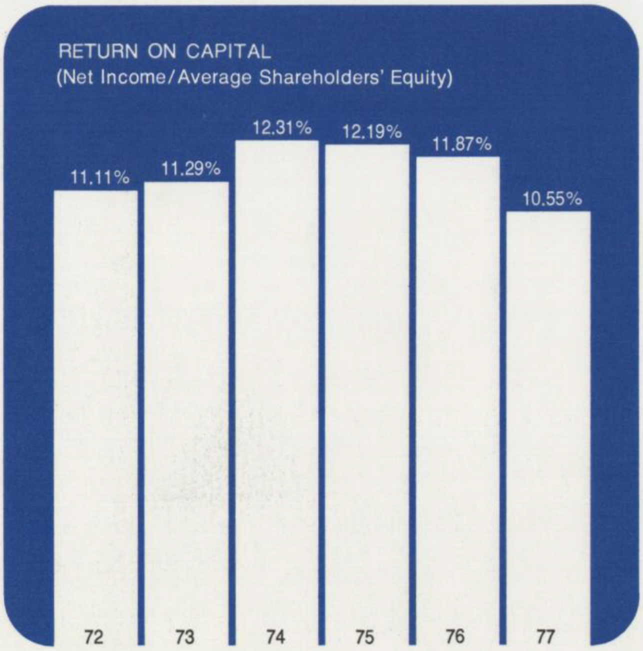
There are opportunities here for growth in providing financial services to both businesses and individuals. I am confident that the capable men and women of Centran and its affiliates have the talent and enthusiasm required to expand our profitable share of these markets.

Sincerely,

John A Gelbach

John A. Gelbach
Chairman and Chief Executive

March 10, 1978



Corporate Structure and Operations

Centran Corporation

Centran is a major, regional bank holding company based in Cleveland, Ohio. With total assets of more than $2.3 billion, Centran ranked as the 185th largest U.S. corporation last year. Among bank holding companies, Centran ranked 61st in the nation and 4th in Ohio.

Centran's primary business is banking. The assets of its commercial bank affiliates amount to 97% of Centran's total assets, and its principal affiliate, Central National Bank of Cleveland, accounted for 82% of the corporation's total assets at year-end 1977.

Commercial Bank Affiliates

Central National Bank of Cleveland
Cleveland, Ohio

Central National is Ohio's third largest bank. It provides complete banking services to individuals and businesses through 50 banking offices in Cuyahoga County, which with its six contiguous counties forms the metropolitan Cleveland market—sixth largest industrial market and ninth largest consumer market in the U.S. Central Bank also provides financial services to commercial, industrial, and institutional customers on a statewide, national, and international basis.

Centran Bank of Akron
Akron, Ohio

Centran Bank provides full-service banking through 17 offices in Summit County, which is contiguous to southeastern Cuyahoga County and is included in the metropolitan Cleveland market. In addition to retail, commercial, and corporate banking services, Centran provides trust services and is the only Akron bank with complete international services.

The Richland Trust Company
Mansfield, Ohio

Richland Bank operates 10 offices in predominantly urban Richland County, which is located in central northern Ohio between Cleveland and Columbus. It provides full-service banking, including trust services, to individuals and businesses.

The Farmers and Savings Bank
Loudonville, Ohio

Farmers Bank operates two offices in the predominantly rural, southern area of Ashland County, contiguous to eastern Richland County. Although the area is devoted principally to dairy farming, several manufacturers and service businesses also are located in this area.

The Sutton State Bank
Attica, Ohio

Sutton Bank is celebrating its 100th anniversary this year. From its office in Attica, Sutton serves the rural southeast corner of Seneca County, which is northwest of Richland County between Mansfield and Toledo. The area is primarily devoted to the raising of cash crops.

International Facilities

Central Cleveland International Bank
New York, New York

Central Cleveland is an Edge Act subsidiary of Central National Bank. It is a full-scale operating bank that provides all conventional banking services on an international basis, including import and export financing, letters of credit, collections, funds transfers, and deposit accounts. The bank works closely with Central Bank's International Department and a worldwide network of correspondent banks to facilitate transactions of Ohio corporations and their foreign and New York-based subsidiaries going through East Coast ports.

Representative Offices
Paris, France
Mexico City, Mexico

Staffed by officers of Central Bank's International Department, these representative offices serve the needs of companies doing business in Europe, the Middle East, Mexico, and Central America.

Nassau Branch
The Bahamas

This branch of Central National Bank provides a capability to facilitate the making of offshore loans.

Consumer Finance Affiliates

Colonial Financial Service, Inc.
Birmingham, Alabama

Major Finance Corporation
Silver Spring, Maryland

Peoples Investment Company
Louisville, Kentucky

Protective Loan Corporation
Albany, New York

Centran's consumer finance companies make direct loans to individuals. They also purchase installment sales contracts, under which customers agree to pay in installments for products or services which have been purchased from others, and other evidences of indebtedness secured by first or second mortgages or deeds of trust. In connection with the extension of credit, they also offer credit life insurance, health and accident insurance, and fire and extended coverage insurance to customers.

Cleveland, Ohio—heart of the industrial region served by Centran and its affiliates.

Corporate Banking

Turnaround performance is result of major development plan.

Central National Bank's Corporate Banking Department continued to move forward under a plan initiated in 1975. That year was allocated to ensuring the quality of the loan portfolio and the beginning of a staff enlargement. The following year saw a continuation of that buildup and the development of a marketing program that began to produce encouraging results in 1977.

This program included both objectives and plans for each division, officer, product, and, most importantly, each customer serviced by the department. In addition, markets were identified with increasing precision, and detailed market segments were identified by such criteria as geographic location, type of business, and service required. Emphasis on the important "middle market" was continued in 1977 with considerable success.

During the year, product capabilities were substantially expanded. For example, Commercial Finance and Leasing came on-stream, and such non-lending financial services as Cash Management and Data Processing were integrated into the department at the same time their own capabilities were increased. A determined effort to broaden lending horizons and provide innovative solutions to customers' specific credit needs was well received in the marketplace.

The year also saw a significant improvement in staff capabilities and skills. A heavy emphasis on training and development included spot training in specific products, department-wide sales and strategy training, and carefully tailored self-development programs for each officer.

Sales efforts were also improved. For example, overall sales calls have been increased by more than 145% during the last two years, and prospect calls are up at a far sharper rate. Of greater importance is the substantial improvement in the quality of these calls—a result of staff training, the use of plans and objectives for individual customers, regular strategy meetings to discuss how customers can best be served, and a far better coordination with all areas of the Bank, from senior management to various technical support functions, to find the best possible solutions to customers' needs.

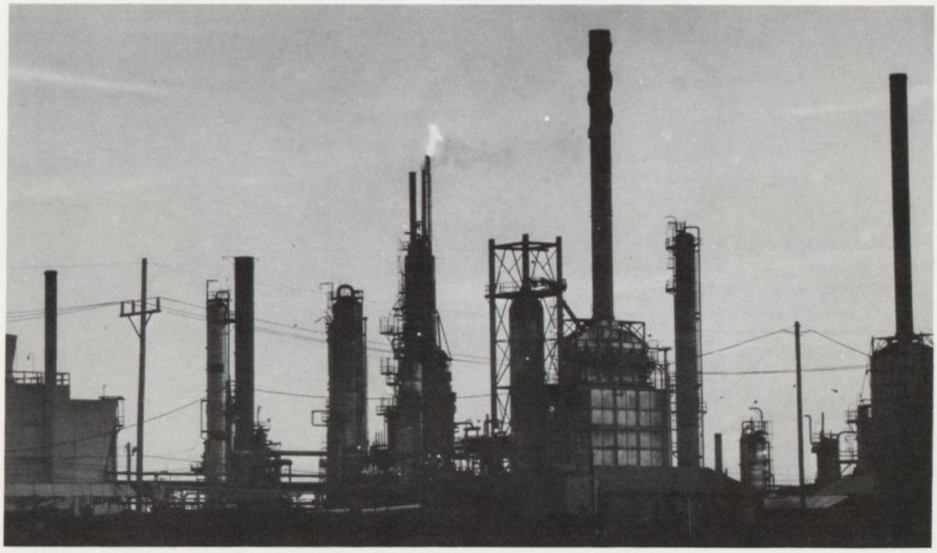
The results were encouraging. The Corporate Banking Department's demand-deposit and loan growth came very close to its ambitious objectives and exceeded that of major competitors. This momentum is expected to continue, since the backlog of loan requests at year-end was the highest in some time. In addition, the volume of Cash Management and Data Processing services written far exceeded any prior period.

All these accomplishments took place while the quality of an already excellent loan portfolio was being further improved, and charge-off levels were being maintained at what will probably prove to be well below industry averages.

In summary, 1977 was a year in which the department's plans came to fruition, as evidenced in a significant turn-around in performance. For 1978, the department's goal is to capitalize on this momentum by increasing loans, demand deposits, and fee income at a rate substantially above that of its major competition and its own historical performance. This will be done by a further broadening of lending and financial service capabilities, a more precise identification of markets, and a further upgrading of business-development capabilities through such steps as establishing a departmental marketing unit and increasing the number of sales calls.

The quality of the loan portfolio will be maintained through a continued refinement of such support areas as loan administration, loan review, and the department's ability to work with troubled companies.

Through the attainment of these goals, Corporate Banking expects to enhance its contribution to Centran's growth and profitability.



Corporate Banking meets industry's growing need for specialized financial services.

International Banking

Broad spectrum of services supports corporate and commercial market penetration.

The International Department of Centran's principal affiliate, Central National Bank, underwent a number of significant changes in 1977, beginning with the appointment of Vice President Stephen E. Wall as department manager. Subsequently, the department was reorganized into four functional divisions, rather than the former geographic divisions.

The new divisions are International Banking, which works primarily with Central's 1,000 foreign correspondent banks; International Finance, which serves the banking requirements of Central's foreign corporate customers and of U.S. companies with overseas-based subsidiaries; International Trade Services, which specializes in export-import financing; and Foreign Exchange, which serves the currency exchange requirements of customers doing business around the world.

International Banking finances the expanding world trade of Ohio companies.

Subsequently, two of the International Department's officers in Cleveland were assigned to Paris and Mexico City as representatives for Central Bank. Their responsibilities include obtaining and expediting banking services required by Central's customers with operations or trading interests in Europe, the Middle East, Mexico, and Central America. They also develop and maintain contacts with Central's correspondent banks in their respective areas, as well as with government agencies and officials.

The activities of the Foreign Exchange Division were broadened in response to increased requirements for this service as the result of rapid and substantial rate changes in foreign currencies.

The International Department also implemented a plan to establish a closer working relationship between its officers, the officers of Central Cleveland International Bank in New York, and the calling officers of all Central Bank departments and Centran affiliated banks. This will enable all departments and affiliated banks to better serve the full requirements of their corporate and commercial customers.

Centran Bank of Akron also has an international banking capability. Although less comprehensive than Central National Bank's, it is augmented by the Corporation's specialized resources.

Central's International Department adjusted its loan portfolio both quantitatively and qualitatively during 1977 and improved its analytical techniques for the evaluation of credit and country risks. A phased reduction in portions of its portfolio resulted in a decrease in interest income which, however, was offset by a 12.7% increase in service fee income and a 9.1% decrease in operating expenses. At year-end, the department's return on assets showed an improvement over its 1976 return.

Recognizing the need for "international awareness" on the part of Ohio companies that are increasingly expanding their business horizons worldwide, the department presented speakers of international renown in a series of symposiums last fall for business executives in affiliate-bank cities and other key Ohio cities. More programs in the series are scheduled for 1978.

The department also continued its publication of Ohio Industry Reports, designed to promote the overseas sales of industries with operations in Ohio, to attract foreign businesses to Ohio, and to stimulate interest in the corporate and international banking services available at Central and the affiliate banks.

During 1978, the International Department expects to achieve an increase in export loan commitments and foreign exchange services consistent with its position as Ohio's leading international bank.

77 Retail Banking

Functional restructuring capitalizes on opportunities in profitable business sector.

Following a thorough evaluation of the retail banking function in 1976, management concluded that this business sector has been, and will continue to be, a significant contributor to the balanced growth of Centran and its principal affiliate, Central National Bank.

Subsequently, the retail banking function at Central Bank was restructured to implement long-range goals to gain market share, improve market mix, and improve profitability. The achievement of these goals requires carefully planned strategies to develop and implement a market- and profit-oriented organizational plan, reconfigure the branch network, develop and implement a phased approach to electronic delivery systems, and increase emphasis on profitable innovation and renovation in products.

Central's Retail Banking Department made significant progress in executing a number of its strategies during 1977. A new Commercial Banking Division was formed to market its services to smaller, privately owned businesses. Working closely with the branch system, the Commercial Banking Division staff increased loans by 31% over 1976.

The department's Mortgage Division established specific objectives to aggressively originate high-quality mortgages which could be sold into the secondary market, while retaining the servicing function for fee income and obtaining funding for more mortgages at current interest rates. As a result, mortgage originations were up 118% over 1976. Fee and service income was up 50%.

A Consumer Banking Division was formed with product management responsibilities to better plan and effect profitable innovation and renovation for the full range of consumer services. Pricing changes were made in 1977 to significantly increase revenues. The convenience and value of Central's basic retail products—checking, savings, and credit—were upgraded with the introduction of the Central Account, 24-hour telephone transfer, and a monthly combined statement. A Personal Financial Services section also was formed to provide additional services for people with complex financial requirements.

The Branch Management Division completed an analysis designed to set standards for the allocation of manpower and financial resources and to plan the development of the branch system over the next five years. These efforts resulted in decisions to reduce resources at marginal locations through the consolidation of one branch and reconfiguration of another in 1977.

Two more branches are being consolidated into nearby branches during the first quarter of 1978. Concurrently, new market opportunities were evaluated. This led to the opening of a new branch in Strongsville, Ohio, early in 1978. Two new full-service branches and a number of automated facilities will be opened during the year.

Central
Ready B

Central Ready Bank offers customers the convenience of around-the-clock banking.

The division and Centran's other bank affiliates are now studying opportunities presented by changes in Ohio's banking law, pending in the state legislature, which would permit the establishment of branch offices in contiguous counties.

The most visible development of the Retail Banking Department was the launching of its Central Ready Bank (automated banking machine) network in September 1977. Through the combined efforts of all bank departments, and Operations Services in particular, 12 on-line Ready Banks were opened simultaneously at strategically located branch offices throughout the county, achieving a level of customer usage twice the national average.

Ready Bank is part of a long-range strategy to increase market share and to develop a more cost-effective delivery system. The Retail Banking Department is committed to the concept that automated or semi-automated facilities can be used to augment a network of full-service branch offices at lower capital and operating costs than for traditional brick, mortar, and people-intensive facilities.

The Ready Bank network will be expanded in 1978 with additional machines at branch offices and in free-standing, non-branch locations to broaden geographic coverage in high-growth and high-profit markets.

The strategies developed by Central Bank and experience gained in implementing them are being shared with Centran's other bank affiliates so that those appropriate to their markets may be readily adopted to strengthen Centran's total retail banking function.

Challenge and opportunity characterize the retail banking business. Centran has the management and the staff to run it aggresively and profitably.

Trust Services

Fee income sets new record; long-range planning implemented.

Centran Bank of Akron and The Richland Trust Company provide excellent trust services to their market areas. Nevertheless, Centran Corporation's growth and increased profitability in this field are expected to come primarily from the Trust Department of Central National Bank, which is significantly larger and had assets of $1.3 billion at year-end.

An important part of Central Bank's service to personal-trust and employee-benefit customers is professional investment management. Of the many employee-benefit plans served, 200 small- and medium-sized pension and profit-sharing trusts participate in a collective equity fund managed by Central. The February 1978 issue of *Institutional Investor* showed that the 1975 through 1977 results for Central's fund were near the top of all stock funds reported in the survey. Central's investment gain of +75.3% was well above the +57.1% reported for the Standard & Poore's 500 Stock Index during the same period.

The extremely large and growing employee-benefit market offers substantial opportunity for profitable growth. To enable Central to participate more aggressively in this market, a new Corporate Trust Sales Division was formed in 1977. The investment record compiled for existing employee-benefit customers suggests that Central can compete effectively.

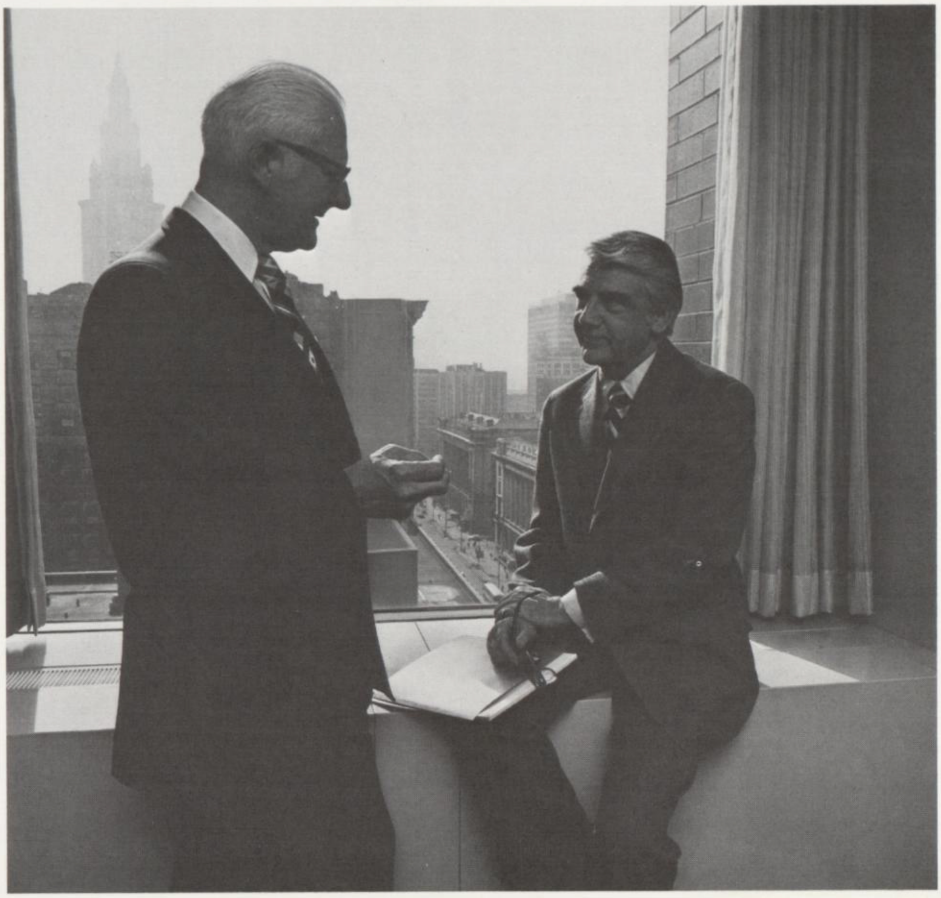
Central Bank provides investment management services to colleges, foundations, and religious organizations. The needs of these institutions are served by highly skilled administrative and portfolio management specialists whose success has resulted in a good flow of new business. This market is expected to continue to grow in the future.

The increasing number of men and women with significant income and wealth provides an attractive market for personal trust services. The Personal Trust and Estates Divisions serve this market. One segment consists of people with over $150,000 in personal investments who make their own investment decisions. For a nominal fee—usually tax deductible—Central offers them its "convertible trust" with custody services, including anti-theft protection, income collection, and accurate recordkeeping. This service is important for the frequent traveler. The Bank buys or sells only on the customer's instructions; but, should he or she become incapacitated, Central will by prearrangement assume the management responsibility as trustee.

In 1977, the Trust Department began a significant effort to improve its long-range planning. The goals are faster growth, even better service, and greater profitability. One aspect of the planning process is to analyze the present and projected profitability of each product line. This led to the previously reported decision to withdraw from the stock transfer business, a process that is now substantially complete.

In 1977, Trust Department fee income exceeded all expenses and made a record contribution to the profitability of Centran.

Complex government regulations, changing tax laws, and volatile securities markets have increased the need for knowledgeable, professional trustees and executors. The trust departments of Centran's bank affiliates have the experienced personnel to satisfy these needs.



Trust officers discuss expansion of services for employee benefit plans.

77 Operations Services

Job enrichment and new technology deliver quality services to expanding markets.

Among Centran employees, some one-fourth of the total are engaged in providing the operations services required to support the activities of virtually every department in the organization. And, in the long run, it is the efforts of these people which significantly influence the quality and profitability of Centran's financial services.

Thus, a major objective of operations services continues to be staff development—through internal training, promotion from within, and hiring at entry levels—aimed at controlling personnel costs and improving productivity.

And, since operations services has the responsibility for identifying and adapting electronic technology to banking needs, it is expected to evaluate benefits versus cost and, where justified, apply new technology to provide new services, enhance existing services, and control service delivery costs.

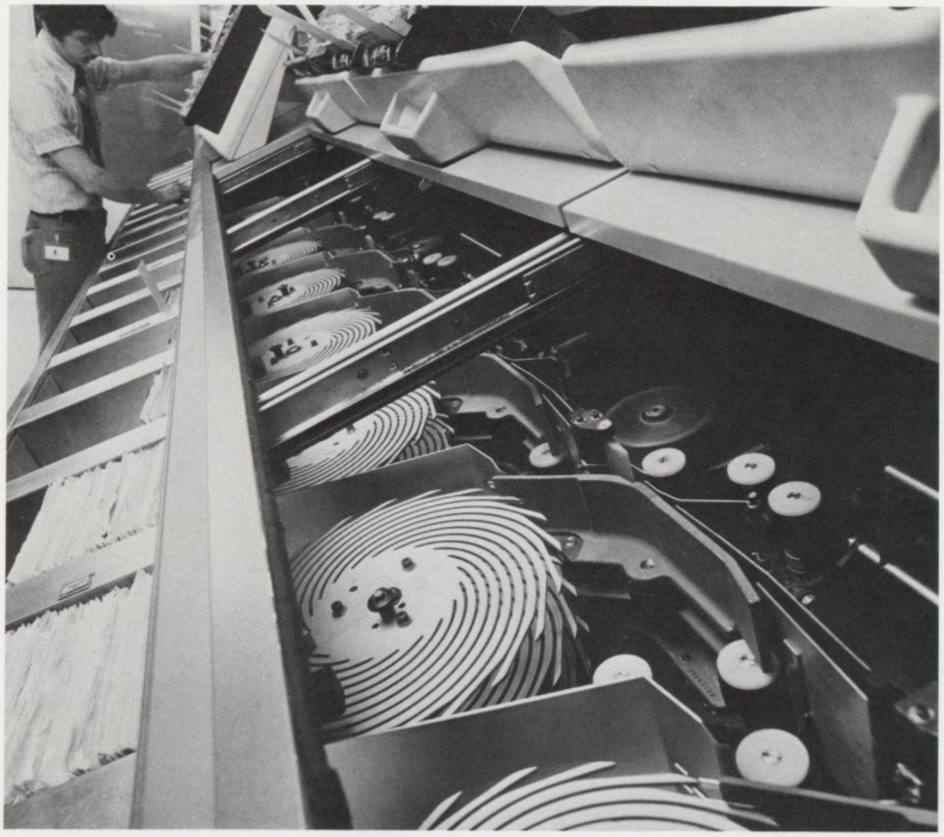
During 1977, for example, the Operations Services Department of Central National Bank implemented three new operational systems: Ready Bank (automated banking machine network), On-Line Savings, and Check Processing.

For the Ready Bank program, Operations Services expanded the bank's new combined monthly statement to provide a descriptive entry for all checking and savings transactions made at a Ready Bank. The system also includes a network control center for monitoring the operations of all Ready Bank units around the clock.

The On-Line Savings System features a "real-time" computer terminal in each of Central's banking offices. These terminals reduce the time required for tellers to process customer savings transactions and provide up-to-the-minute information on account balances and interest earned.

Central Bank's new and highly sophisticated Check Processing System was installed to control costs as the volume of checks processed continues to expand. The new system processes 4,000 checks a minute and, in a single operation, identifies each check with a control number via a bar code sprayed onto the check and microfilms both sides of the check.

In addition, services and support for corporate banking were strengthened through increased efficiencies, further mechanization, and the introduction of new capabilities in Central's International Operations and Cash Management Services.



High-speed equipment helps control cost of processing growing volume of checks.

Centran Bank of Akron converted the processing of its demand deposit accounts to a new system which has improved its internal operations and enabled the bank to compete more effectively in its marketplace by providing additional services such as a variety of business account reconcilement plans.

In mid-1977, Central's Operations Services Department was reorganized into two staff and four line divisions to be more responsive to the changing needs of the bank. The new staff divisions are Administration and Control, and Internal Consulting, which initially is assisting various departments in the evaluation and implementation of electronic funds transfer systems. The four line divisions are Item and Data Processing Operations, Systems and Programming, Retail and Corporate Banking Operations, and Trust and General Bank Services.

The operations services personnel at each of Centran's affiliates play a major role in meeting the objective of providing high-quality financial services to our expanding markets.

77 Financial Section

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77 Report of Ernst & Ernst, Independent Auditors

Board of Directors
Centran Corporation

We have examined the consolidated balance sheets of Centran Corporation and affiliates as of December 31, 1977 and 1976, and the related consolidated statements of income, capital and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Centran Corporation and affiliates at December 31, 1977 and 1976, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Cleveland, Ohio
January 31, 1978

Ernst & Ernst

E&E

Centran
Corporation

Consolidated Statement of Income

In Thousands of Dollars	1977	1976
Interest Income:		
Commercial Loans	$ 42,613	$ 43,215
Installment Loans	34,190	31,944
Portfolio Mortgage Loans	18,598	18,074
Federal Funds Sold and Securities Purchased Under Agreements to Resell	4,031	5,190
Due from Banks—Time	11,878	9,399
U.S. Treasury Securities	10,827	8,979
Federal Agency Securities	5,616	1,354
State and Municipal Securities	13,098	13,299
Other Securities	325	543
Trading Account Securities	147	1,202
Total Interest Income	141,323	133,199
Interest Expense:		
Savings Deposits	23,499	20,626
Certificates—Individuals	18,865	17,992
Certificates—Others	10,579	14,067
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	15,109	8,510
Other Borrowed Funds	2,367	4,226
Mortgage Payable	164	—0—
Promissory Notes	1,225	—0—
Capital Notes	950	950
Debentures	1,963	1,963
Total Interest Expense	74,721	68,334
Interest Differential	66,602	64,865
Trust Fees	5,142	4,753
Trading Account Income	1,332	6,847
Other Income	10,396	9,128
Income Net of Interest Expense	83,472	85,593
Operating Expense:		
Salaries	27,272	26,682
Employee Benefits	4,911	4,436
Net Occupancy	6,585	6,479
Equipment	3,945	3,350
Provision for Loan Losses	4,044	7,611
Other	18,227	18,080
Total Operating Expense	64,984	66,638
Income Before Income Taxes and Security Transactions	18,488	18,955
Income Taxes Thereon	1,990	2,300
Income Before Security Transactions	16,498	16,655
Security Losses Less Tax Reduction of $777 in 1977 and $187 in 1976	(842)	(203)
Net Income	$ 15,656	$ 16,452
Per Common Share:		
Income Before Security Transactions	$ 4.20	$ 4.30
Net Income	3.98	4.25

See notes to financial statements.

Centran
Corporation

Consolidated Balance Sheet

Assets	December 31, 1977	December 31, 1976
In Thousands of Dollars		
Earning Assets:		
Commercial Loans	$ 574,767	$ 647,194
Installment Loans	255,314	231,274
Portfolio Mortgage Loans	254,899	245,827
	1,084,980	1,124,295
Less Allowance for Loan Losses	18,109	17,646
Net Loans	1,066,871	1,106,649
Federal Funds Sold and Securities Purchased Under Agreements to Resell	264,650	136,640
Due from Banks—Time	27,085	306,836
U.S. Treasury Securities	204,122	84,347
Federal Agency Securities	144,332	21,268
State and Municipal Securities	250,487	270,367
Other Securities	5,582	6,432
Trading Account Securities	199	117,533
Total Earning Assets	1,963,328	2,050,072
Cash and Due from Banks	257,487	243,679
Premises and Equipment	52,240	19,840
Customers' Liability on Acceptances	26,295	27,026
Real Estate Acquired in Loan Settlements	490	513
Other Assets	34,061	31,717
Total Assets	$2,333,901	$2,372,847
Liabilities		
Deposits and Borrowed Funds:		
Demand Deposits	$ 701,260	$ 770,849
Savings Deposits	506,451	477,571
Certificates—Individuals	319,315	302,957
Certificates—Others	199,129	170,809
Other Time Deposits	16,603	18,461
Total Deposits	1,742,758	1,740,647
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	275,719	301,644
Other Borrowed Funds	30,745	92,279
Mortgage Payable	18,801	—0—
Promissory Notes	21,000	—0—
Capital Notes—4.75% due December 1, 1989	20,000	20,000
Debentures—7.85% due May 15, 1997	25,000	25,000
Total Deposits and Borrowed Funds	2,134,023	2,179,570
Liability on Acceptances	26,322	27,135
Other Liabilities	21,006	22,055
Total Liabilities	2,181,351	2,228,760
Capital:		
Preferred Stock	2,349	2,203
Common Stock	32,293	32,293
Surplus	66,533	65,938
Retained Earnings	56,315	48,958
Less—Common Stock in Treasury, at Cost	4,940	5,305
Total Capital	152,550	144,087
Total Liabilities and Capital	$2,333,901	$2,372,847

See notes to financial statements.

Consolidated Statement of Changes in Financial Position

In Thousands of Dollars	1977	1976
Source of Funds		
From Operations:		
Net Income	$ 15,656	$ 16,452
Items Not Requiring Funds:		
Provision for Depreciation and Amortization	2,153	1,882
Provision for Loan Losses	4,044	7,611
Deferred Taxes	(563)	(823)
Other	1,828	1,817
Total from Operations	23,118	26,939
Increases in Liabilities:		
Deposits	2,111	102,365
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	—0—	93,797
Other Borrowed Funds	—0—	41,024
Mortgage Payable	18,801	—0—
Promissory Notes	21,000	—0—
Liability on Acceptances	—0—	5,035
Decreases in Assets:		
Net Loans	35,734	—0—
Federal Funds Sold and Securities Purchased Under Agreements to Resell	—0—	17,842
Securities	—0—	8,232
Due from Banks—Time	279,751	—0—
Customer Liability on Acceptances	731	—0—
Treasury Shares Issued Upon Exercise of Stock Options	286	276
Total	$381,532	$295,510
Application of Funds		
Increases in Assets:		
Net Loans	$ —0—	$ 18,742
Federal Funds Sold and Securities Purchased Under Agreement to Resell	128,010	—0—
Due from Banks—Time	—0—	238,287
Securities	106,365	—0—
Cash and Due from Banks	13,808	24,690
Additions to Premises and Equipment—Net	34,553	1,462
Customers Liability on Acceptances	—0—	5,008
Other Assets	2,592	90
Decreases in Liabilities:		
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	25,925	—0—
Other Borrowed Funds	61,534	—0—
Liability on Acceptances	813	—0—
Other Liabilities	453	144
Cash Dividends Declared	7,479	7,059
Series C Preferred Stock Returned and Cancelled	—0—	28
Total	$381,532	$295,510

See notes to financial statements.

Consolidated Statement of Capital

	Preferred Stock	Common Stock	Surplus	Retained Earnings	Treasury Stock
		In Thousands of Dollars			
Balance at January 1, 1976	$2,231	$32,293	$65,348	$40,256	$5,682
Net Income for the Year				16,452	
Cash Dividends Declared:					
Series B Preferred Stock $5.22 Per Share				(50)	
Series C Preferred Stock $5.16 Per Share				(92)	
Common Stock $1.80 Per Share				(6,917)	
Return and Cancellation of 370 Shares of Series C Preferred Stock	(28)				
Transfer from Retained Earnings to Surplus			550	(550)	
Issuance of 13,285 Common Shares Under Stock Option Plan			40	(141)	(377)
Balance at December 31, 1976	2,203	32,293	65,938	48,958	5,305
Net Income for the Year				15,656	
Cash Dividends Declared:					
Series B Preferred Stock $5.22 Per Share				(50)	
Series C Preferred Stock $5.16 Per Share				(92)	
Common Stock $1.90 Per Share				(7,337)	
Transfer from Retained Earnings to Surplus			550	(550)	
Issuance of 12,825 Common Shares Under Stock Option Plan			45	(124)	(365)
Accretion of Excess of Redemption Value over Stated Value of Series C Preferred Stock	146			(146)	
Balance at December 31, 1977	$2,349	$32,293	$66,533	$56,315	$4,940

See notes to financial statements.

Centran
Corporation

Notes to Financial Statements

Accounting Policies.
Consolidation. The consolidated financial statements include the accounts of Centran and all affiliates.

Reclassification. Certain items in the financial statements for 1976 have been reclassified to conform with the 1977 classifications.

Intangibles. Amounts assigned to customer lists in connection with acquisitions are amortized by the straight-line method over periods of four years or five years; amounts assigned to goodwill are amortized over forty years.

Income. Interest on loans and securities is recognized in the period in which it is earned by bank affiliates and in the period collected by finance company affiliates; trust fees and income from certain other sources are recognized, for the most part, on a cash collected basis in accordance with industry practice.

Foreign Exchange. Items comprising the foreign exchange position are valued at current rates of exchange, and related gains or losses resulting therefrom are included in other income.

Business Segments. Centran Corporation is a bank holding company. No segment of the business, other than commercial banking, is significant in relation to total assets and revenues.

Other. For other accounting policies, see related notes for: Allowance for Loan Losses; Securities; Premises and Equipment; Pension Plans; Leases; and Income Taxes.

Allowance for Loan Losses. Affiliates base their loan-loss provisions upon experience, modified by current evaluation of the collectibility of loans in their portfolios. The allowance for loan losses for federal income tax purposes was $20,408,000 at December 31, 1977 and $20,045,000 at December 31, 1976. The financial statements show the allowance for loan losses to be $18,109,000 at December 31, 1977 and $17,646,000 at December 31, 1976. The differences between these amounts reflect additional reserves accumulated under the Internal Revenue Code and Regulations which are only available to absorb future loan charge-offs for federal income tax purposes.

Changes in the allowance are shown in the following schedule:

	Bank Affiliates	Finance Company Affiliates	Consolidated
	In Thousands of Dollars		
Balance at January 1, 1976	$13,345	$1,390	$14,735
Allowances Acquired by Purchase		267	267
Charged to Operating Expense	6,968	643	7,611
Recoveries	2,633	206	2,839
Loans Charged Off	(6,716)	(847)	(7,563)
Allowances Sold		(243)	(243)
Balance at December 31, 1976	16,230	1,416	17,646
Allowances Acquired by Purchase		95	95
Charged to Operating Expense	3,217	827	4,044
Recoveries	2,439	126	2,565
Loans Charged Off	(5,360)	(881)	(6,241)
Balance at December 31, 1977	$16,526	$1,583	$18,109

Securities. Investment securities are carried at cost adjusted for amortization of premiums and accretion of discounts computed by the straight-line method. Gains or losses on the sale of investment securities, computed by using adjusted costs of the specific certificates sold, are shown separately in the statements of income. Beginning in 1977, trading account securities are carried at market value. Results for 1977 are not materially affected by this change. Interest on trading account securities is included in interest income, while gains or losses are stated separately in the statement of income.

Securities with a book value of $188,239,000 at December 31, 1977 were pledged to secure trust and public funds on deposit.

A comparison of book and approximate market value of investment securities follows:

	December 31, 1977		December 31, 1976	
	Book Value	Market Value	Book Value	Market Value
	In Thousands of Dollars			
U. S. Treasury Securities	$204,122	$200,418	$ 84,347	$ 85,480
Federal Agency Securities	144,332	141,314	21,268	21,398
State and Municipal Securities	250,487	245,340	270,367	269,472
Other Securities	5,582	5,505	6,432	5,946
Trading Account Securities	199	199	117,533	117,591
Total Securities	$604,722	$592,776	$499,947	$499,887

Premises and Equipment. Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are determined primarily by the straight-line method at rates estimated to absorb the cost over the useful lives of the assets. Leasehold improvements are amortized over their estimated useful lives or the terms of the respective leases, whichever is shorter. Estimated useful lives are: buildings 40-50 years; leasehold improvements 10-40 years; equipment and furniture 3-12 years. Maintenance, repairs, renewals and minor improvements are charged to expense as incurred, whereas major improvements are capitalized. Net gain or loss on properties sold or otherwise disposed of is included in operating expense. Book values of properties sold or otherwise retired and related allowances for depreciation are eliminated from the accounts at the time of disposal.

	Cost	Accumulated Depreciation and Amortization	Net Book Value
	In Thousands of Dollars		
Land	$ 8,044	$ —0—	$ 8,044
Buildings	40,853	6,528	34,325
Leasehold Improvements	3,741	2,149	1,592
Equipment and Furniture	16,852	8,573	8,279
Total at December 31, 1977	$69,490	$17,250	$52,240
Land	$ 3,783	$ —0—	$ 3,783
Buildings	9,542	4,456	5,086
Leasehold Improvements	10,104	3,584	6,520
Equipment and Furniture	12,290	7,839	4,451
Total at December 31, 1976	$35,719	$15,879	$19,840

Other Borrowed Funds. The caption, "Other Borrowed Funds," includes the following items:

	December 31, 1977	December 31, 1976
	In Thousands of Dollars	
Commercial Paper	$16,754	$18,478
Notes Payable Within One Year	10,719	70,092
Notes Payable After One Year	3,272	3,709
	$30,745	$92,279

Mortgage Payable. On November 10, 1977, Central National Bank purchased its Main Office complex at 800 Superior Avenue, Cleveland, Ohio, subject to the existing mortgage. The amount of the assumed mortgage was $18,801,000 at December 31, 1977, and is payable in level monthly installments amounting to $1,648,500 annually (covering principal and interest at 6¼%) through 1997. The purchase price of the complex was approximately $28,000,000.

Promissory Notes. On April 5, 1977 Centran completed the private placement of $21,000,000 of unsecured promissory notes as follows:

Principal Amount	Interest Rate	Maturity Date
$ 6,400,000	7½%	April 5, 1980
1,750,000	7¾%	April 5, 1981
7,100,000	8%	April 5, 1982
5,750,000	8¼%	April 5, 1983
$21,000,000		

Debentures. The related indenture provides that annual sinking fund payments of $900,000 commence in 1982. Retained earnings of $54,851,000 were available for cash dividends at December 31, 1977, under cash dividend restrictions of the indenture.

Capital Stock. The Corporation is authorized to issue 500,000 shares of Serial Preferred Stock, without par value, of which 9,700 shares designated Series B, and 17,778 shares designated Series C, were outstanding at December 31, 1977 and December 31, 1976. The Series B and Series C shares have voting rights and liquidation values of $150.00 and $135.00, respectively, and each share is convertible into three common shares. Each Series B share has a stated value of $85.50, an annual cumulative dividend rate of $5.22, and is redeemable at the option of the shareholder at $150.00 after June 1, 1979. Each Series C share has a stated value of $85.50 (after accretion of redemption value) at December 31, 1977 and $77.25 at December 31, 1976, an annual cumulative dividend rate of $5.16, and a required redemption of $135.00 on June 1, 1979. The aggregate liquidation value of the Preferred Stock is $1,506,000 over the stated value thereof. The Preferred Stock, in the event of total conversion, would represent 82,434 common shares.

Continued

Authorized Common Stock is 7,500,000 shares of $8.00 par value. After deduction of 173,890 shares in treasury there were 3,862,749 common shares outstanding at December 31, 1977. After deduction of 186,715 shares in treasury there were 3,849,924 common shares outstanding at December 31, 1976.

Stock Options. Under the 1973 Stock Option Plan, common shares held in treasury are reserved for sale to certain officers of the Corporation or affiliates at a price equal to the fair market value of the shares on the date options are granted. Qualified options expire five years from the date granted and will not become exercisable while there is outstanding an earlier exercisable option to the same optionee carrying a higher option price. Nonqualified options expire ten years from the date granted and may be exercised by an optionee even though he holds an earlier exercisable option carrying a higher option price. Generally, not more than half of the options granted become exercisable in any one year beginning at the date of grant.

At December 31, 1977 there were outstanding 61,165 options at an aggregate option price of $1,260,000 of which 23,200 were exercisable at $25.25 per share and 37,965 exercisable at $17.75 per share.

At December 31, 1976 there were outstanding 78,415 options at an aggregate option price of $1,600,000 of which 27,700 were exercisable at $25.25 per share and 34,715 exercisable at $17.75 per share.

Pension Plans. Pension plans cover substantially all employees and are funded by annual contributions to pension trusts. Pension expense amounted to $1,621,000 in 1977 and $1,515,000 in 1976. Based on 1977 actuarial studies the market value of pension fund assets approximated vested benefits under the plans, and the unfunded past service costs amounted to approximately $5,500,000 at January 1, 1977.

Leases. Rental expense for office space and equipment amounted to $4,503,000 and $4,508,000 in 1977 and 1976, respectively. Rental expense for the Main Office complex is included to November, 1977, when the property was acquired. Certain office space and equipment is leased under noncancelable leases expiring in various years through 2047. Most of these leases provide for renewals for periods ranging from one to twenty years.

The minimum future payments under all noncancelable leases are as follows:

	Office Space	Equipment	Total
	In Thousands of Dollars		
1978	$ 829	$ 580	$1,409
1979	736	462	1,198
1980	568	394	962
1981	516	205	721
1982	402	3	405
1983-1987	1,291	13	1,304
1988-1992	571	—0—	571
1993-1997	144	—0—	144
1998 and Later	1,010	—0—	1,010
	$6,067	$1,657	$7,724

Office space and equipment leased under capital leases and included above are not material.

Income Taxes. For income tax purposes, certain items of income and expense are reported in taxable years other than those in which such amounts are reported in financial statements. Net income is not affected by this practice, as tax consequences resulting therefrom are reflected in the tax provision. Investment tax credits are accounted for by the flow-through method.

The following schedule presents a reconciliation of the Corporation's effective Federal Income Tax rate as compared to the statutory rate of 48%:

	Amount		Percent of Pre-Tax Income	
	1977	1976	1977	1976
	In Thousands of Dollars			
Income tax at 48% of income before income taxes and security transactions	$8,874	$9,098	48.0%	48.0%
Dividend and interest income not subject to Federal income tax	(6,301)	(6,399)	(34.1)	(33.8)
Investment tax credit	(616)	(493)	(3.3)	(2.6)
Other (net)	33	94	.2	.5
Income tax provision	$1,990	$2,300	10.8%	12.1%

Composition of the Provision for Income Taxes for the years ended December 31, 1977 and December 31, 1976 was as follows:

	1977	1976
	In Thousands of Dollars	
Current		
Domestic Federal Income Tax	$1,402	$2,294
Foreign Taxes	660	829
Deferred		
Domestic Federal Income Tax	(72)	(823)
Total	$1,990	$2,300

Composition of the Provision for Income Taxes on Security Transactions for the years ended December 31, 1977 and December 31, 1976 was as follows:

	1977	1976
	In Thousands of Dollars	
Current	$(286)	$(187)
Deferred	(491)	—0—
Total	$(777)	$(187)

The components of deferred income taxes for the years ended December 31, 1977 and December 31, 1976 result from the use of the following:

	1977	1976
	In Thousands of Dollars	
Provision for Loan Losses	$ 75	$(1,503)
Cash Basis Tax Reporting	(847)	509
Other	209	171
Total	$(563)	$ (823)

Income Per Common Share. Income per common share, after adjustment for preferred dividends and commencing in 1977 accretion of redemption value of preferred stock, is based on 3,858,446 average shares outstanding in 1977, and 3,840,020 in 1976.

Commitments and Contingent Liabilities. In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to extend credit, future contracts, guarantees, etc., which are not reflected in the financial statements, including $10,941,000 of standby letters of credit outstanding at December 31, 1977. No material losses are anticipated as a result of any of these types of transactions.

In addition to routine litigation in the ordinary course of business, there are lawsuits pending which involve claims for substantial monetary damages. While it is impossible to predict with certainty the ultimate legal and financial responsibility in these lawsuits, it is management's opinion that these claims should not have a material effect on the consolidated financial statements.

Unaudited Quarterly Results. The following is the summarized quarterly operating results (in thousands of dollars except for per share figures):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1977				
Gross Income	$37,419	$38,533	$39,847	$42,394
Interest Differential	16,116	16,141	16,773	17,572
Income Net of Interest Expense	20,386	20,624	20,850	21,612
Operating Expense	14,984	15,280	15,113	15,563
Provision for Loan Losses	1,209	1,241	1,295	299
Income Before Security Transactions	3,733	3,823	4,282	4,660
Net Income	3,484	3,609	4,356	4,207
Per Common Share:				
Income Before Security Transactions	.96	.98	1.10	1.16
Net Income	.89	.93	1.12	1.04
1976				
Gross Income	$35,843	$34,974	$38,725	$44,385
Interest Differential	16,010	15,539	16,595	16,721
Income Net of Interest Expense	19,787	19,302	21,422	25,082
Operating Expense	14,469	14,442	14,334	15,782
Provision for Loan Losses	2,214	1,839	1,675	1,883
Income Before Security Transactions	3,529	3,256	4,163	5,707
Net Income	3,239	3,352	4,188	5,673
Per Common Share:				
Income Before Security Transactions	.91	.84	1.07	1.48
Net Income	.83	.87	1.08	1.47

Management's Discussion and Analysis of Operations

Analysis of Changes in Net Income—1976-1977

For Centran, 1977 was marked by consistent quarterly growth in earnings, increasing from $.96 per common share in the first quarter to $.98, $1.10, and $1.16 in the respective succeeding quarters, or a total of $4.20 per share of income before security transactions for the year.

Average earning assets of $1.8 billion were 6.8% higher than in 1976, with investments in securities accounting for most of the increase. U.S. Treasury securities were up $39 million, and Federal Agency securities up $55 million at average, compensating for a reduced demand for loans.

The demand for commercial loans generally was weak during the first half of 1977, but both volume and rates improved in the second half. The prime rate of interest charged on these loans, which declined during 1976, recovered in the second half of 1977 to close at 7.75% at year-end. Installment loan volume improved throughout the year as consumers provided the basic support for the expansion of the economy. Centran's total loans averaged $1 billion and were $9 million more than in 1976, with all the gain attributable to installment loans.

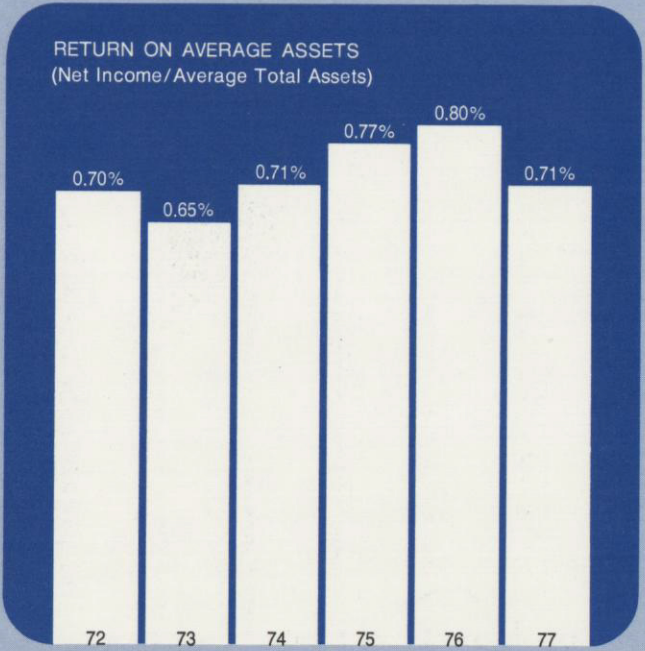
Savings deposits and certificates of individuals were up $66 million, and short-term borrowed funds were up $110 million, providing the funds for the increase in earning assets. This program maintained the liquidity level of the Corporation at about the same position achieved in 1976. At the same time, leverage (the ratio of total average assets to capital) was 14.8 to 1 for 1977, comparable with the 14.9 to 1 ratio for 1976.

Interest income, interest expense, and interest differential on a taxable equivalent basis are shown in the following table for each quarter of 1977.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	In Thousands of Dollars			
Interest Income	$36,129	$37,105	$38,959	$41,246
Interest Expense	17,033	17,909	18,997	20,782
Differential	$19,096	$19,196	$19,962	$20,464

In 1977, the interest differential was $1,534,000 higher than in 1976 as a result of higher levels of earning assets. Income yields were 10 basis points below 1976 yields, and interest expense as a percent of earning assets was 9 basis points higher than in 1976, as shown in the following table.

	Year		Increase (Decrease)
	1977	1976	
Composite Yield on Earning Assets	8.32%	8.42%	(.10)%
Interest Expense as a % of Earning Assets	4.05	3.96	.09
Interest Rate Differential	4.27%	4.46%	(.19)%



Income other than interest income is categorized as trust fees, trading account income, and other income. Trust fees of $5,142,000 in 1977 were $389,000, or 8.2%, higher than in 1976 as a result of new accounts and higher market values of securities. This improvement continued the growth experienced in 1976.

Trading account income was $1,332,000, down sharply from the $6,847,000 earned in 1976. In the fourth quarter of 1976 Centran recorded $4,860,000 in trading account income when unusual market conditions involving U.S. Treasury securities provided an extraordinary opportunity for trading account profits. As management expected, such market conditions did not recur in 1977. Centran's trading account income was only $47,000 in the fourth quarter.

Other income of $10,396,000 was $1,268,000 greater than in 1976, reflecting increased service charges (up $633,000), foreign exchange income (up $344,000), service charges on loans (up $117,000), and data processing income (up $160,000).

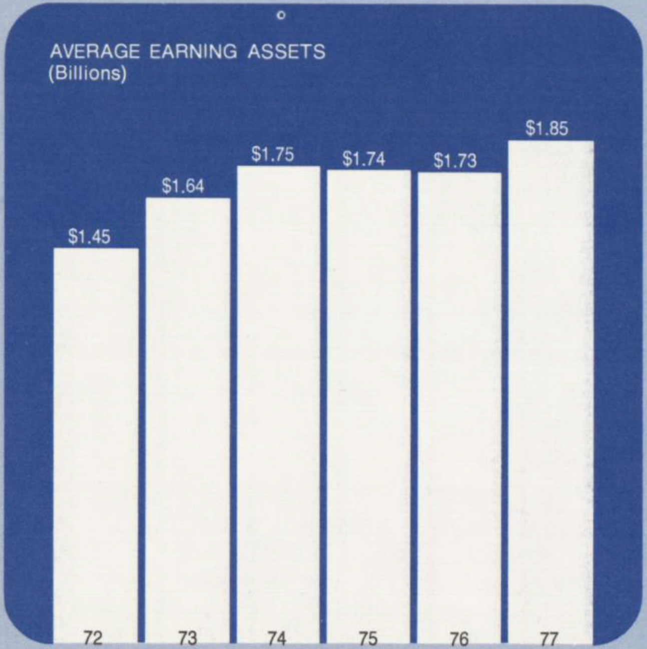
Operating expenses, not including the provision for loan losses, were $60.9 million, compared with $59.0 million in 1976, an increase of 3.2%. Various supply and service expenses increased, including stationery, equipment rental (several new pieces of data processing equipment were added), and telephone. The average number of employees on a full-time equivalent basis was 2,420, or 2.1% higher than in 1976. Continued close attention to all expenses produced favorable results, considering the constant pressure of inflation.

Loan portfolio evaluation is a constant process at Centran. Throughout the year, reviews are made of economic conditions in the local, national, and international markets. The provision for loan losses reflects an interpretation of these conditions as they relate to our borrowers. In addition, the actual financial condition of each borrower is monitored regularly. Non-performing loans, and situations in which the ability to meet original terms is in doubt, are carefully evaluated.

The continued improvement in the economy was reflected most strongly in the fourth quarter of 1977, as non-accrual, restructured, and close-attention loans were reduced by $5.2 million from the end of the third quarter and by $8.0 million from the previous year-end. The provision for loan losses in 1977 of $4.0 million was $368,000 greater than net charge-offs and was substantially below the 1976 provision of $7.6 million.

At year-end 1977, the allowance for loan losses was $18.1 million, which amounted to 1.67% of loans. This compares with a balance of $17.6 million, which was 1.57% of loans, at December 31, 1976.

Continued



Management's Discussion and Analysis of Operations *(Continued)*

Analysis of Changes in Net Income—1976-1977 (continued)

The provision for income tax of $1,990,000 was $310,000 less than the 1976 provision, due primarily to lower earnings subject to Federal income tax and to $123,000 more investment tax credits taken in 1977.

Income before security transactions of $16,498,000 was the second highest amount recorded by Centran and was only $157,000 less than the record $16,655,000 reported in 1976. Earnings per common share were $4.20, down 2.3% from the $4.30 reported in 1976. A portion of the decrease in per-share earnings in 1977 is attributable to the fourth quarter accretion of redemption value of Centran's Series C Preferred Stock, equivalent to $.04 per common share. This accretion will continue through the second quarter of 1979.

Security losses recognized were $842,000, compared with $203,000 in 1976. Losses of $381,000 in 1977 were the result of normal portfolio transactions to improve yields or maturities, or both. The remaining $461,000 represents the valuation of "forward" contracts involving Government National Mortgage Association (GNMA) securities, which, according to the Comptroller of the Currency, must be valued at their market price on the settlement date, even though such securities will be carried in the investment portfolio.

Net income of $15,656,000 was $796,000 less than the $16,452,000 recorded in 1976. Net income per common share of $3.98 was 6.4% lower than the $4.25 reported in 1976.

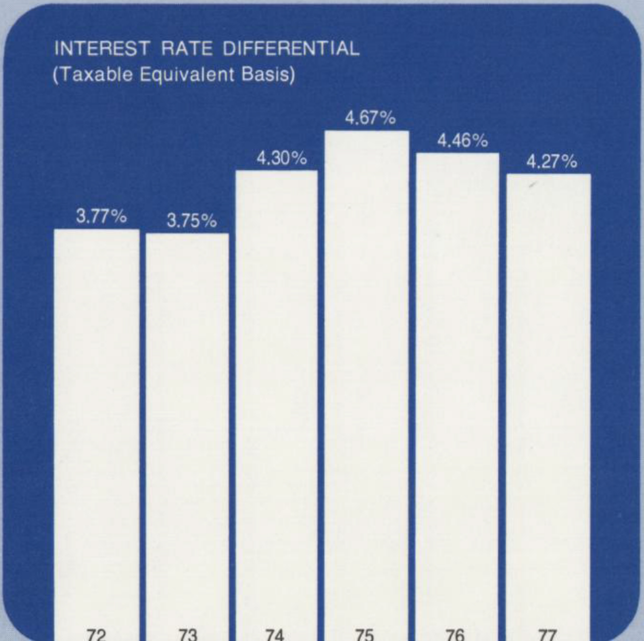
Analysis of Changes in Net Income—1975-1976

Loan demand in Centran's market areas was substantially lower in 1976 than in 1975 as corporate customers curtailed bank borrowings. Lines of credit, together with the compensating deposit balances that normally accompany such commitments, were also reduced. As a result of the slack loan demand, interest rates declined during most of 1976. The prime rate charged on loans to corporate customers fell from 7% at the beginning of the year to 6¼% at year-end. This decline was a continuation of the trend begun in 1975. In January 1975, the prime rate was 10½%; and, by April 1975, it had fallen to 7½%.

Average total loans of $1.0 billion in 1976 were $131 million, or 11.3%, lower than the corresponding 1975 average. Interest and fees of $93.2 million earned on these loans were $16.3 million less than in 1975.

At mid-year 1976, Centran instituted a program to take advantage of the low level of interest rates in money markets by increasing its short-term borrowings. These funds were profitably invested in short-term Treasury securities and short-term time deposits in a select group of banks.

Investments acquired in this program had short maturities that maintained the Corporation's liquid position. As expected, the interest spread between yields on these investments and the rates paid for additional borrowings was substantially lower than



that customarily achieved. Nevertheless, this program made a significant contribution to earnings.

The impact of this program on the principal balance-sheet items involved is apparent in the following schedule (averages in millions of dollars):

	1976			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Borrowed Funds	$ 158	$ 143	$ 220	$ 428
U.S. Treasury Securities	77	91	146	226
Due from Banks—Time	55	46	217	271
Total Earning Assets	1,649	1,620	1,718	1,923

The favorable results of this program are reflected in interest differentials shown below on a taxable equivalent basis in thousands of dollars:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest Income	$35,817	$34,477	$36,511	$38,713
Interest Expense	16,056	15,672	17,303	19,303
Differential	$19,761	$18,805	$19,208	$19,410

Interest rate differentials were reduced from 4.82% in the first quarter of 1976 to 4.02% in the fourth quarter.

The interest differential of $77,184,000 earned in 1976 was nearly $4 million lower than that earned in 1975. A rate-volume analysis of this decline is shown in the following schedules in thousands of dollars, with interest income stated on a taxable equivalent basis:

	Year		Increase (Decrease)
	1976	1975	
Interest Income	$145,518	$156,727	$(11,209)
Interest Expense	68,334	75,603	(7,269)
Differential	$ 77,184	$ 81,124	$ (3,940)

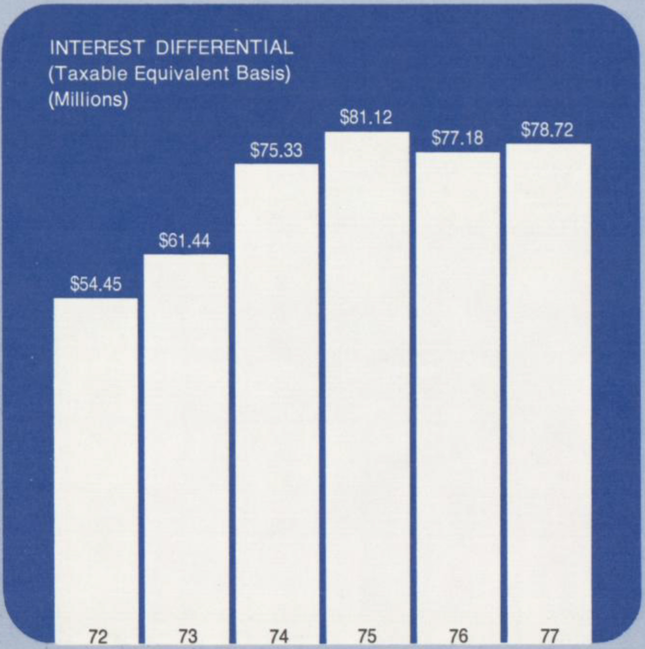
	Change Due To	
	Rate	Volume
Interest Income	$(8,096)	$(3,113)
Interest Expense	(5,580)	(1,689)
Differential	$ (2,516)	$(1,424)

The decline in the interest differential for the full year of 1976 resulted primarily from lower yields on earning assets. These were not offset by commensurate decreases in interest expense.

Interest differential components for the full year are shown below as percentages of earning assets:

	Year		Increase (Decrease)
	1976	1975	
Composite Yield on Earning Assets	8.42%	9.02%	(.60)%
Interest Expense as a % of Earning Assets	3.96	4.35	(.39)
Interest Rate Differential	4.46%	4.67%	(.21)%

Continued



Management's Discussion and Analysis of Operations *(Continued)*

Analysis of Changes in Net Income—1975-1976 (continued)

Trust fees of $4,753,000 earned in 1976 were $533,000 higher than those of 1975. General improvement in market prices of securities during 1976 was a material factor in this increase.

Trading account income amounted to $6,847,000, compared with $763,000 in 1975. Throughout 1976, interest rates and yields on U.S. Treasury securities pursued an erratic downward trend that caused an equally erratic upward movement in prices. These market conditions provided Centran with an extraordinary opportunity for trading account profits. The bulk of these profits ($4.9 million) occurred in the fourth quarter.

Other income declined to $9,128,000 from $9,600,000 in 1975. This income is derived for the most part from service charges on deposit and loan accounts, International Department income other than interest, and data processing services. No single classification of the many income accounts consolidated under this category accounted for a material portion of the variance between the two years.

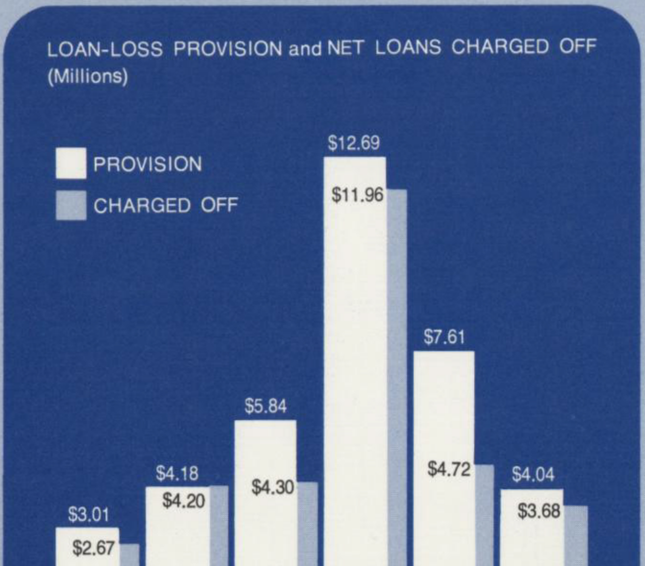
Operating expenses, exclusive of the provision for loan losses, totaled $59.0 million in 1976 and were 7.7%, or $4.2 million, higher than in the preceding year.

Salaries and employee benefits, which together account for more than one-half of Centran's operating expense (exclusive of loan-loss provisions), amounted to $31.1 million and were $2.4 million, or 8%, higher than in 1975. Nearly all this increased expense was related to Central National Bank, Centran's principal affiliate, and resulted from a restructuring of its salary and employee benefits program.

Central's management discontinued contributions to its excellent profit-sharing plan in 1976, rather than make unacceptable amendments to the plan as required by the Employee Retirement Income Security Act of 1974.

To offset discontinuance of contributions to the profit-sharing plan, the Bank incorporated into it a thrift feature in which participants' savings, deposited in trust, are matched in part by the Bank. In addition, a 10% increase in salary was given to employees.

All Centran operating expenses other than salaries and employee benefits increased by $1.9 million in 1976, as follows: (1) net occupancy expense, $231,000; (2) equipment expense, $474,000; (3) fees, $793,000; and (4) insurance, $359,000. A decrease of $317,000 in charge-card processing expenses more



than offset minor increases in many other expense classifications.

Centran's provision for loan losses is broadly based on an evaluation of economic conditions, volume of loans outstanding, experience in prior years, and adequacy of allowance balances. In addition, particular attention is given to nonperforming loans and to those for which doubt exists as to borrowers' abilities to meet terms of loan agreements. All such loans are thoroughly reviewed by senior officers in the determination of the provision for loan losses.

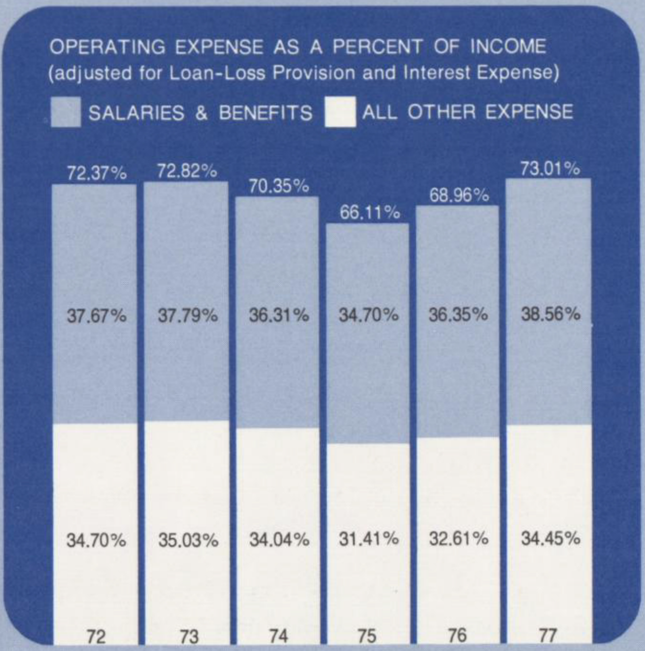
The 1976 provision was $7.6 million, compared with $12.7 million in 1975. Although the 1976 provision was materially lower than that for 1975, it was $2.9 million greater than net charge-offs for the year. The 1976 year-end allowance balance was increased by approximately the same amount. The ratio of the allowance for loan losses to loans outstanding at December 31, 1976, was 1.57%, compared with 1.33% at year-end 1975.

The provision for income taxes on operating earnings rose to $2,300,000 from $275,000 in 1975, principally due to an increase in income subject to the Federal income tax. Additional information on income taxes is included in the Notes to Financial Statements.

Income before security transactions amounted to $16,655,000, compared with $15,113,000 in 1975. The 1976 amount is equivalent to $4.30 per common share, an increase of 10.3% over the $3.90 per share in 1975.

Security losses of $203,000 were realized in 1976, in contrast with gains of $798,000 in 1975.

Net income of $16,452,000 in 1976 was $541,000 higher than the $15,911,000 earned in 1975. Net income per common share was equivalent to $4.25 in 1976, an increase of 3.4% over the $4.11 per share in 1975.


OPERATING EXPENSE AS A PERCENT OF INCOME
(adjusted for Loan-Loss Provision and Interest Expense)

Supplementary Financial Data

Investment Portfolio

Book value of the investment portfolio and trading account, at December 31 in each of the past six years, is set forth in the following table:

	1977	1976	1975	1974	1973	1972
	In Thousands of Dollars					
U.S. Treasury	$204,122	$ 84,347	$107,025	$ 96,800	$107,420	$142,311
Federal Agency	144,332	21,268	54,493	99,398	35,653	31,122
State and Municipal	250,487	270,367	336,040	227,448	259,574	260,144
Other	5,582	6,432	9,089	9,906	11,438	10,431
Total	$604,523	$382,414	$506,647	$433,552	$414,085	$444,008
Trading Account	$ 199	$117,533	$ 3,067	$ 1,011	$ 16,511	$ 9,104

The book value maturity distribution and tax equivalent yield of the investment securities portfolio, at December 31, 1977, are shown in the following table:

	1 Year Or Less		After 1 thru 5		After 5 thru 10		After 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	Dollars in Thousands							
U.S. Treasury	$ 77,662	7.02%	$126,140	6.02%	$ 320	6.20%	$ —0—	—0—%
Federal Agency	12,598	6.59	11,374	6.76	3,624	7.29	116,736	8.21
State and Municipal	44,632	7.50	58,365	8.75	93,721	9.60	53,769	9.88
Other	450	6.41	300	6.90	250	7.00	4,582	3.44
Total	$135,342	7.13%	$196,179	6.88%	$ 97,915	9.50%	$175,087	8.51%
Taxable equivalent adjustment for calculation of State and Municipal securities yield	$ 1,604		$ 2,423		$ 4,260		$ 2,525	

Composite yields are calculated on the basis of costs and effective yields weighted for the scheduled maturity of each security. A 48% tax rate has been assumed in calculating tax equivalent yields on State and Municipal securities.

At December 31, 1977, the concentration of obligations of individual states and their political subdivisions exceeding 10% of the Corporation's capital were: Ohio $85,174,000; Pennsylvania $19,248,000. In addition, the obligations of New York were $13,576,000 (including $50,000 city of New York).

Foreign Operations

The distribution of foreign assets by geographic area for the year 1977 is shown below (primarily average daily balances):

		Due from Banks				
	Loans	Interest Bearing	Non-Interest Bearing	Bankers Accept-ances	Other	Total
	In Thousands of Dollars					
Latin America	$ 80,409	$ —0—	$ 11	$2,331	$ 479	$ 83,230
Europe	28,732	46,033	204	197	288	75,454
Canada	483	14,209	145	—0—	—0—	14,837
Mid-East and Africa	11,456	79	1	214	910	12,660
Asia and Oceania	4,394	944	58	4,257	—0—	9,653
Total	$125,474	$61,265	$419	$6,999	$1,677	$195,834

For purposes of the above presentation, foreign assets are those for which both the obligor and guarantor, where applicable, are domiciled in foreign countries.

While international transactions in some countries involve risks not present in domestic transactions, certain of these risks are reduced by government guarantees. At December 31, 1977, loans included in foreign assets totaled $118,960,000, of which $70,710,000, or 59%, were made to or guaranteed by foreign governments or agencies thereof.

The Corporation's lead affiliate, Central National Bank of Cleveland, regularly trades in foreign currencies for its own account and as a service to its business customers. By policy, the Bank does not maintain a material open position in any currency.

Consolidated Statement of Income (a)

	1977	1976	1975	1974	1973	1972
			In Thousands of Dollars			
Interest Income:						
Commercial Loans	$ 42,613	$ 43,215	$ 58,557	$ 80,783	$ 54,752	$ 34,613
Installment Loans	34,190	31,944	32,215	28,889	20,407	17,028
Portfolio Mortgage Loans	18,598	18,074	18,768	18,292	16,712	16,114
Federal Funds Sold and Securities Purchased Under Agreements to Resell	4,031	5,190	4,234	6,230	6,340	1,732
Due from Banks—Time	11,878	9,399	2,325	3,986	2,015	1,401
U.S. Treasury Securities	10,827	8,979	7,245	5,113	6,143	6,073
Federal Agency Securities	5,616	1,354	5,716	3,854	1,760	1,863
State and Municipal Securities	13,098	13,299	13,868	12,992	12,608	11,877
Other Securities	325	543	645	657	675	597
Trading Account Securities	147	1,202	312	366	463	375
Total Interest Income	141,323	133,199	143,885	161,162	121,875	91,673
Interest Expense:						
Savings Deposits	23,499	20,626	17,719	16,650	16,397	15,181
Certificates—Individuals	18,865	17,992	17,848	18,903	14,317	11,781
Certificates—Others	10,579	14,067	24,517	37,302	24,479	14,462
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	15,109	8,510	8,293	15,752	12,087	4,482
Other Borrowed Funds	2,367	4,226	4,313	6,327	1,893	231
Mortgage Payable	164	—0—	—0—	—0—	—0—	—0—
Promissory Notes	1,225	—0—	—0—	—0—	—0—	—0—
Capital Notes	950	950	950	950	950	950
Debentures	1,963	1,963	1,963	1,963	1,963	1,117
Total Interest Expense	74,721	68,334	75,603	97,847	72,086	48,204
Interest Differential	66,602	64,865	68,282	63,315	49,789	43,469
Trust Fees	5,142	4,753	4,220	3,877	3,812	3,641
Trading Account Income	1,332	6,847	763	(72)	(231)	85
Other Income	10,396	9,128	9,600	8,317	7,300	7,002
Income Net of Interest Expense	83,472	85,593	82,865	75,437	60,670	54,197
Operating Expense:						
Salaries & Employee Benefits	32,183	31,118	28,755	27,392	22,926	20,416
Provision for Loan Losses	4,044	7,611	12,694	5,839	4,176	3,009
Other Operating Expense	28,757	27,909	26,028	25,679	21,256	18,808
Income Taxes	1,990	2,300	275	1,630	(170)	250
Total Operating Expense	66,974	68,938	67,752	60,540	48,188	42,483
Income Before Security Transactions	16,498	16,655	15,113	14,897	12,482	11,714
Security Transactions	(1,619)	(389)	1,495	61	234	790
Applicable Income Taxes	(777)	(186)	697	29	112	367
Security Transactions After Taxes	(842)	(203)	798	32	122	423
Net Income	$ 15,656	$ 16,452	$ 15,911	$ 14,929	$ 12,604	$ 12,137

(a) *Data of affiliates acquired in purchase transactions are included since dates of acquisition.*

Continued

Supplementary Financial Data *(Continued)*

Yields on Earning Assets (a) (b) (c)	1977	1976	1975	1974	1973	1972
Commercial Loans	7.69%	7.77%	8.79%	10.93%	8.18%	6.20%
Installment Loans	14.40	14.17	13.80	12.82	11.48	11.37
Portfolio Mortgage Loans	7.51	7.28	7.19	6.97	6.74	6.59
Federal Funds Sold and Securities Purchased Under Agreements to Resell	6.10	5.57	6.18	10.53	8.96	5.17
Due from Banks—Time	5.89	6.36	7.66	10.28	8.94	5.50
U.S. Treasury Securities	6.21	6.64	6.94	6.00	5.53	5.46
Federal Agency Securities	7.44	6.66	7.69	7.23	6.21	6.24
State and Municipal Securities	9.02	9.33	9.42	9.15	8.43	8.28
Other Securities	5.01	5.73	6.16	6.20	5.30	6.15
Trading Account Securities	6.78	6.95	6.69	7.72	6.28	5.80
Composite Yield	8.32	8.42	9.02	9.89	8.16	7.11
Effective Interest Rates Paid (b)						
Savings Deposits	4.65%	4.56%	4.47%	4.34%	4.18%	3.90%
Certificates—Individuals	6.08	6.06	6.13	6.66	5.72	5.22
Certificates—Others	5.40	5.96	7.28	10.42	7.71	5.29
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	5.55	5.23	5.86	10.12	8.26	4.46
Other Borrowed Funds	6.45	5.63	7.22	9.32	7.50	4.68
Mortgage Payable	6.10	—0—	—0—	—0—	—0—	—0—
Promissory Notes	7.86	—0—	—0—	—0—	—0—	—0—
Capital Notes	4.75	4.75	4.75	4.75	4.75	4.75
Debentures	7.85	7.85	7.85	7.85	7.85	7.85
Composite Rate Paid	5.40	5.39	5.95	7.56	6.13	4.69
Interest Rate Differential (b) (c)	4.27%	4.46%	4.67%	4.30%	3.75%	3.77%
Ratios (b)						
Return on Capital (d)	10.55%	11.87%	12.19%	12.31%	11.29%	11.11%
Return on Assets (d)	.71	.80	.77	.71	.65	.70
Dividend Payout Ratio (e)	47.74	42.35	41.36	44.04	51.52	55.02
Operating Income/Gross Income	10.43	10.82	9.54	8.60	9.40	11.44
Capital As A Percent of:						
Assets	6.77	6.70	6.28	5.78	5.78	6.30
Loans	14.28	13.46	11.25	9.89	10.20	11.47
Deposits	9.21	8.73	8.02	7.40	7.18	7.53
Per Common Share						
Income Before Security Transactions (f)	$ 4.20	$ 4.30	$ 3.90	$ 3.85	$ 3.27	$ 2.98
Net Income (f)	3.98	4.25	4.11	3.86	3.30	3.09
Dividends Declared	1.90	1.80	1.70	1.70	1.70	1.70
Book Value at year-end (g)	38.88	36.85	34.46	32.05	29.94	28.38
Average Shares Outstanding	3,858,446	3,840,020	3,836,639	3,836,639	3,815,640	3,930,547

(a) *Data of affiliates acquired in purchase transactions are included since dates of acquisition.*

(b) *Based on average balances.*

(c) *Stated on a taxable equivalent basis.*

(d) *Based on net income.*

(e) *Based on net income and dividends declared per common share.*

(f) *Based upon income (reduced by dividends and accretion of redemption value of preferred stock) and average common shares outstanding.*

(g) *Based on shares outstanding at each year-end.*

Average Consolidated Balance Sheet (a)

(Computed principally on average daily balances)

	1977	1976	1975	1974	1973	1972
			In Thousands of Dollars			
Commercial Loans	$ 554,061	$ 556,036	$ 666,185	$ 738,815	$ 669,346	$ 557,895
Installment Loans	237,414	225,466	233,462	225,268	177,727	149,712
Portfolio Mortgage Loans	247,697	248,356	260,910	262,265	247,886	244,565
Federal Funds Sold and Securities Purchased Under Agreements to Resell	66,098	93,198	68,499	59,145	70,742	33,472
Due from Banks—Time	201,607	147,745	30,366	38,759	22,541	25,476
U.S. Treasury Securities	174,298	135,213	104,398	85,181	111,185	111,320
Federal Agency Securities	75,524	20,334	74,294	53,295	28,342	29,870
State and Municipal Securities	279,213	274,042	283,006	273,016	287,746	275,746
Other Securities	6,488	9,469	10,474	10,601	12,747	9,703
Trading Account Securities	2,552	17,912	5,275	5,040	7,544	6,742
Total Earning Assets	1,844,952	1,727,771	1,736,869	1,751,385	1,635,806	1,444,501
Less Allowance for Loan Losses	19,175	17,531	15,767	13,611	12,898	11,645
Cash and Due from Banks	267,177	270,713	257,827	261,619	242,760	244,585
Other Assets	98,237	88,481	98,487	97,657	64,296	56,931
Total Assets/Liabilities	$2,191,191	$2,069,434	$2,077,416	$2,097,050	$1,929,964	$1,734,372
Demand Deposits	$ 584,779	$ 589,462	$ 590,519	$ 599,714	$ 583,416	$ 553,142
Savings Deposits	504,813	452,365	396,096	383,829	392,435	389,078
Certificates—Individuals	310,167	296,874	291,128	283,708	250,478	225,788
Certificates—Others	195,911	236,041	336,928	357,907	317,315	273,615
Other Time Deposits	14,923	13,984	13,498	14,264	11,404	9,712
Total Deposits	1,610,593	1,588,726	1,628,169	1,639,422	1,555,048	1,451,335
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	272,436	162,856	141,568	155,650	146,345	100,417
Other Borrowed Funds	36,707	75,001	59,699	67,871	25,245	4,936
Mortgage Payable	2,688	—0—	—0—	—0—	—0—	—0—
Promissory Notes	15,592	—0—	—0—	—0—	—0—	—0—
Capital Notes	20,000	20,000	20,000	20,000	20,000	20,000
Debentures	25,000	25,000	25,000	25,000	25,000	14,276
Other Liabilities	59,797	59,231	72,440	67,867	46,685	34,160
Capital	148,378	138,620	130,540	121,240	111,641	109,248

Continued

Centran
Corporation

Supplementary Financial Data *(Continued)*

Interest Rates and Interest Differential

Dollars in Thousands

Year Ended December 31,	1977			1976			1975		
	Average Balance	Interest & Fees	Average Rate	Average Balance	Interest & Fees	Average Rate	Average Balance	Interest & Fees	Average Rate
Earning Assets:									
Loans (a)	$1,039,172	$ 95,401	9.18%	$1,029,858	$ 93,233	9.05%	$1,160,557	$109,540	9.44%
Taxable Investment Securities	256,310	16,768	6.54	165,016	10,876	6.59	189,166	13,606	7.19
Non-Taxable Investment Securities (b)	279,213	25,188	9.02	274,042	25,575	9.33	283,006	26,669	9.42
Federal Funds Sold and Securities Purchased under Agreements to Resell	66,098	4,031	6.10	93,198	5,190	5.57	68,499	4,234	6.18
Other (b)	204,159	12,051	5.90	165,657	10,644	6.43	35,641	2,678	7.51
Total Earning Assets	1,844,952	153,439	8.32	1,727,771	145,518	8.42	1,736,869	156,727	9.02
Interest-Bearing Funds:									
Savings Deposits	$ 504,813	$ 23,499	4.65%	$ 452,365	$ 20,626	4.56%	$ 396,096	$ 17,719	4.47%
Other Time Deposits	461,806	27,290	5.91	473,283	28,022	5.92	529,041	34,128	6.45
Deposits in Foreign Offices	44,272	2,154	4.87	59,632	4,037	6.77	99,015	8,237	8.32
Short-Term Debt	301,548	16,953	5.62	232,043	12,296	5.30	193,644	12,073	6.23
Long-Term Debt	70,875	4,825	6.81	50,814	3,353	6.60	52,623	3,446	6.55
Total Interest-Bearing Funds	1,383,314	74,721	5.40	1,268,137	68,334	5.39	1,270,419	75,603	5.95
Interest Income/Earning Assets			8.32%			8.42%			9.02%
Interest Expense/Earning Assets			4.05			3.96			4.35
Interest Rate Differential			4.27			4.46			4.67

Non-accrual loan principal is included in average balances, and cash income received thereon is included in interest income.

(a) *Includes fees on loans of $686,282 in 1977, $659,162 in 1976, $695,283 in 1975, $648,494 in 1974, $283,693 in 1973, $328,590 in 1972.*

(b) *Includes tax equivalent adjustment, based on a 48% Federal Income Tax rate, of $12,116,000 in 1977, $12,319,000 in 1976, $12,842,000 in 1975, $12,015,000 in 1974, $11,649,000 in 1973, $10,980,000 in 1972.*

1974			1973			1972		
Average Balance	Interest & Fees	Average Rate	Average Balance	Interest & Fees	Average Rate	Average Balance	Interest & Fees	Average Rate
$1,226,348	$127,964	10.43%	$1,094,959	$ 91,871	8.39%	$ 952,172	$ 67,755	7.12%
149,077	9,624	6.46	152,274	8,578	5.63	150,893	8,533	5.66
273,016	24,984	9.15	287,746	24,246	8.43	275,746	22,841	8.28
59,145	6,230	10.53	70,742	6,340	8.96	33,472	1,732	5.17
43,799	4,375	9.99	30,085	2,489	8.27	32,218	1,792	5.56
1,751,385	173,177	9.89	1,635,806	133,524	8.16	1,444,501	102,653	7.11
$ 383,829	$ 16,650	4.34%	$ 392,435	$ 16,397	4.18%	$ 389,078	$ 15,181	3.90%
525,475	43,090	8.20	474,660	31,051	6.54	408,366	20,847	5.10
116,140	13,115	11.29	93,133	7,745	8.32	91,037	5,396	5.93
213,368	21,409	10.03	168,148	13,659	8.12	100,417	4,713	4.69
55,153	3,583	6.50	48,442	3,234	6.68	39,212	2,067	5.27
1,293,965	97,847	7.56	1,176,818	72,086	6.13	1,028,110	48,204	4.69
		9.89%			8.16%			7.11%
		5.59			4.41			3.34
		4.30			3.75			3.77

Continued

Centran
Corporation

Supplementary Financial Data *(Continued)*

Rate/Volume Analysis

The following table attributes the changes in net interest earnings to changes in the average balances and to fluctuations in the average rates:

	1977 over 1976			1976 over 1975		
	Volume	Rate	Total	Volume	Rate	Total
			In Thousands of Dollars			
Increase (Decrease) in:						
Interest Income (a):						
Loans	$1,505	$ 663	$2,168	$(11,148)	$(5,159)	$(16,307)
Taxable Investment Securities	6,241	(349)	5,892	(1,665)	(1,065)	(2,730)
Non-Taxable Investment Securities	474	(861)	(387)	(841)	(253)	(1,094)
Funds Sold	(1,581)	422	(1,159)	1,452	(496)	956
Other	2,246	(839)	1,407	9,089	(1,123)	7,966
Total	8,885	(964)	7,921	(3,113)	(8,096)	(11,209)
Interest Expense:						
Savings Deposits	2,416	457	2,873	2,541	366	2,907
Other Time Deposits	(578)	(154)	(732)	(3,356)	(2,750)	(6,106)
Deposits in Foreign Offices	(894)	(989)	(1,883)	(2,971)	(1,229)	(4,200)
Short-Term Debt	3,795	862	4,657	2,215	(1,992)	223
Long-Term Debt	1,345	127	1,472	(118)	25	(93)
Total	6,084	303	6,387	(1,689)	(5,580)	(7,269)
Interest Differential	$2,801	$(1,267)	$1,534	$ (1,424)	$(2,516)	$ (3,940)

(a) *Taxable equivalent basis. The change in interest due to both rate and volume has been allocated 50% to change due to rate.*

Allowance for Loan Losses

The provision for loan losses is determined by management based upon loss experience in relation to loans outstanding, modified by a comprehensive quarterly review of the loan portfolio with particular emphasis on problem loans.

	1977	1976	1975	1974	1973	1972
			Dollars in Thousands			
Allowance for Loan Losses:						
Balance at January 1	$ 17,646	$ 14,735	$ 13,873	$ 12,008	$ 11,558	$ 11,211
Allowances Acquired by Purchase	95	267	131	327	470	—0—
Charged to Operating Expense	4,044	7,611	12,694	5,839	4,176	3,009
Recoveries	2,565	2,839	897	660	605	590
Loans Charged Off	(6,241)	(7,563)	(12,860)	(4,961)	(4,801)	(3,252)
Allowances Sold	—0—	(243)	—0—	—0—	—0—	—0—
Balance at December 31	$ 18,109	$ 17,646	$ 14,735	$ 13,873	$ 12,008	$ 11,558
Loans:						
Average Loans for the Year	$1,039,172	$1,029,858	$1,160,557	$1,226,348	$1,094,959	$ 952,172
Loans Outstanding at December 31	1,084,980	1,124,295	1,110,253	1,244,340	1,155,809	1,083,700
Ratios:						
Net Charge-Offs to Average Loans	.35%	.46%	1.03%	.35%	.38%	.28%
Allowance for Loan Losses to Loans Outstanding	1.67	1.57	1.33	1.11	1.04	1.07

Centran
Corporation

Maturity Distribution of Loans

The following table shows the remaining maturities of selected loans at December 31, 1977:

	One Year or Less	Over One Year Through Five Years	Over Five Years	Total
		In Thousands of Dollars		
Domestic:				
Construction, Land Development and Other Real Estate	$ 27,786	$ 21,970	$29,659	$ 79,415
Commercial and Industrial	193,409	95,515	24,937	313,861
Other Excluding Consumer Loans and 1-4 Family Residential	48,338	28,435	7,425	84,198
In Foreign Offices (a)	57,126	41,242	22,890	121,258
Total	$326,659	$187,162	$84,911	$598,732

(a) *Includes Nassau Branch and Edge Act Subsidiary in New York City.*

At December 31, 1977, loans with maturities of more than one year totaled $272,073,000 of which $72,055,000 had predetermined interest rates and $200,018,000 had floating rates.

Non-Performing Loans

Interest income is accrued in the period in which it is earned by bank affiliates and in the period collected by finance company affiliates. Commercial loans are transferred to cash basis status when any payment of interest or principal is more than 30 days past due. These loans totaled $9,532,000 at December 31, 1977, and $18,510,000 at December 31, 1976. They equalled 0.9% of total loans in 1977 and 1.6% of total loans in 1976. Interest earned but not collected (and not accrued) on these loans amounted to $445,000 at year-end 1977 and $1,125,000 at year-end 1976. Loans to real estate investment trusts and to mortgage companies are included in the category "commercial loans." Centran did not sponsor a real estate investment trust and has never served in an investment advisory capacity to a real estate investment trust.

Certain commercial loans have been renegotiated with borrowers to provide for a reduction in interest rates, or a deferral of interest payments, as a result of the borrowers' financial condition. These loans are also transferred to cash basis status and totaled $12,071,000 at December 31, 1977, and $7,189,000 at December 31, 1976. The difference between the interest that would have been accrued at the original contract rates and that which was actually earned amounted to $666,000 in 1977 and $464,000 in 1976.

Installment loans of bank affiliates are charged off when 90 days contractually delinquent. Installment loans of finance company affiliates are charged off when 210 days contractually delinquent and 60 days delinquent on a recency-of-payment basis. However, all loans 210 days contractually delinquent are fully reserved for regardless of recency-of-payment delinquency. Effectively, installment loans are charged off when they become delinquent with the result that this classification includes no non-accrual loans. Uncollected interest on loans past due 60 days or more amounted to $161,000 at year-end 1977 and $95,000 at year-end 1976.

Mortgage loans without government guarantees are placed in cash basis status when foreclosure proceedings are instituted—usually when approximately six months delinquent. Cash basis loans in the portfolio mortgage loan classification are negligible. Real estate acquired through foreclosure proceedings on delinquent mortgage loans and asset swaps amounted to $490,000 at December 31, 1977, and $513,000 at December 31, 1976.

Continuing attention is devoted to reviewing loans to assess current risk exposure. As a result of such review, commercial loans of $7,765,000 at December 31, 1977, and $11,703,000 at December 31, 1976, (not included in cash basis or renegotiated loans mentioned above) have been designated close-attention loans because of general credit considerations, notwithstanding the fact that such loans are accruing interest and payments are current. A thorough review of all loans at year-end indicates that, in our judgment, the valuation reserve is adequate to cover all potential losses presently foreseen.

Continued

Supplementary Financial Data *(Continued)*

Loans

The table below shows the classification of consolidated loans by major category at December 31 in each of the past six years:

	1977	1976	1975	1974	1973	1972
			In Thousands of Dollars			
Real Estate:						
Residential, 1-4 family	$ 195,807	$ 195,050	$ 206,726	$ 219,185	$ 208,837	$ 204,792
Construction and Land Development	25,768	11,617	*NA*	*NA*	*NA*	*NA*
Other Real Estate	53,647	48,792	61,402	68,190	63,342	59,291
Financial Institutions:						
REIT's and Mortgage Companies	21,008	25,402	*NA*	*NA*	*NA*	*NA*
Domestic Commercial Banks	24	2,970	1,074	82	—0—	—0—
Banks in Foreign Countries	10,491	14,731	28,997	53,940	35,130	18,898
Other Depository Institutions	10,175	5,919	*NA*	*NA*	*NA*	*NA*
Other Financial Institutions	25,906	33,629	114,107	99,746	126,667	80,239
Purchasing or Carrying Securities	3,274	3,817	3,579	6,513	20,791	85,657
Farmers	3,161	2,329	1,949	1,851	1,722	1,288
Commercial and Industrial Loans	313,861	381,502	306,275	401,513	371,796	284,070
Consumer (a)	290,441	259,435	262,702	244,468	208,244	165,223
All Other Attributable to Domestic Operations	10,159	15,673	11,025	32,024	31,618	94,868
In Foreign Offices (b)	121,258	123,429	112,417	116,828	87,662	89,374
Total	$1,084,980	$1,124,295	$1,110,253	$1,244,340	$1,155,809	$1,083,700

NA—Not available.

(a) *Includes increases of $26,228,000 in 1973 and $11,440,000 in 1974 from purchase of finance company affiliates.*

(b) *Includes Nassau Branch and Edge Act Subsidiary in New York City.*

Allocation of Allowance for Loan Losses

In November, 1977, the Allowance for Loan Losses as of December 31, 1976, was reallocated at the request of the Securities and Exchange Commission. The allocation was expanded to eight loan categories and is based on estimates which take into account historical loss data and risk characteristics. Allocation is subject to change as additional loss data becomes available and changes in the economy occur. The total Allowance for Loan Losses continues to be a general reserve available against the entire portfolio. Allocations are not meant to be an indication of the expected trend of future charge-offs. Allocation of the Allowance for Loan Losses as of December 31, 1977, and December 31, 1976 (as restated), and the ratios of the year-end loans outstanding by category to total loans are as follows:

	December 31, 1977		December 31, 1976	
Loan Categories	Allowance For Loan Losses Allocation	Ratio/Year-end Loans Outstanding by Category to Total Loans	Allowance For Loan Losses Allocation	Ratio/Year-end Loans Outstanding by Category to Total Loans
		Dollars in Thousands		
Real Estate	$ 200	25.4%	$ 200	22.7%
Financial Institutions	1,500	6.2	1,000	7.4
Purchasing or Carrying Securities	35	0.3	35	0.3
Farmers	25	0.3	25	0.2
Commercial and Industrial	3,500	28.9	4,200	33.9
Individuals	4,600	26.8	5,100	23.1
Other Domestic	150	0.9	150	1.4
Attributable to Foreign Operations	1,200	11.2	1,200	11.0
Unallocated	6,899		5,736	
	$18,109	100.0%	$17,646	100.0%

Analysis of Net Charge-Offs

	1977	1976	1975	1974	1973	1972
			In Thousands of Dollars			
Charge-Offs:						
Installment Loans	$2,527	$2,949	$ 3,039	$1,769	$1,054	$1,311
Portfolio Mortgage Loans	25	23	110	31	48	3
REIT and Mortgage Company Loans	1,042	462	2,072	—0—	—0—	—0—
International Loans	793	700	428	—0—	463	—0—
Other Commercial Loans	1,854	3,429	7,211	3,161	3,236	1,938
Total Charge-Offs	6,241	7,563	12,860	4,961	4,801	3,252
Recoveries:						
Installment Loans	1,015	740	516	401	357	337
Portfolio Mortgage Loans	7	2	—0—	15	13	2
REIT and Mortgage Company Loans	17	14	—0—	—0—	—0—	—0—
International Loans	298	94	55	—0—	73	—0—
Other Commercial Loans	1,228	1,989	326	244	162	251
Total Recoveries	2,565	2,839	897	660	605	590
Net Charge-Offs	$3,676	$4,724	$11,963	$4,301	$4,196	$2,662

Commitments and Lines of Credit

The Banks extend lines of credit to corporations. Such lines of credit represent commitments to provide short-term draws—usually 90-day loans. Typically, such loans are for seasonal working-capital purposes and repayment of such loans is anticipated at maturity.

Lines of credit are extended to corporate borrowers on an annual basis and are subject to review following the company's fiscal year-end. Generally, fees are not charged for lines of credit.

Deposits

The table below shows average deposits by major classifications for each of the past six years:

	1977	1976	1975	1974	1973	1972
			In Thousands of Dollars			
Domestic:						
Demand Deposits	$ 507,853	$ 489,913	$ 493,716	$ 497,880	$ 497,478	$ 482,330
Savings Deposits	504,813	452,365	396,096	383,829	392,435	389,078
Time Under $100,000	315,372	297,245	273,981	259,622	278,972	252,768
Time $100,000 or More	161,357	190,022	268,569	280,117	207,092	165,320
In Foreign Offices (a)	121,198	159,181	195,807	217,974	179,071	161,839
Total Deposits	$1,610,593	$1,588,726	$1,628,169	$1,639,422	$1,555,048	$1,451,335

(a) *Includes Nassau Branch and Edge Act Subsidiary in New York City.*

The following table sets forth, by time remaining to maturity, domestic time deposits in amounts of $100,000 or more at December 31, 1977:

	December 31, 1977
	In Thousands of Dollars
Three Months or Less	$123,367
Over Three Thru Six Months	59,837
Over Six Thru Twelve Months	10,681
Over One Year	1,896
Total	$195,781

Affiliates' Statements

	BANK AFFILIATES				
	Central National Bank	*Centran Bank of Akron*	*Richland Trust*	*Farmers and Savings Bank*	*Sutton State Bank*
BALANCE SHEET—December 31, 1977	In Thousands of Dollars				
Assets					
Earning Assets:					
Commercial Loans	$ 533,911	$ 18,444	$ 14,091	$ 4,781	$ 3,539
Installment Loans	145,268	32,984	12,362	2,167	1,634
Portfolio Mortgage Loans	145,908	65,228	31,316	7,232	5,215
	825,087	116,656	57,769	14,180	10,388
Less Allowance for Loan Losses	14,908	334	1,107	97	80
Net Loans	810,179	116,322	56,662	14,083	10,308
Funds Sold	250,950	14,500	300	—0—	750
Due from Banks—Time	26,800	—0—	—0—	—0—	—0—
U.S. Treasury Securities	160,223	27,370	13,015	1,914	1,601
Federal Agency Securities	117,236	14,649	11,548	800	100
State and Municipal Securities	204,151	23,672	17,002	3,737	1,925
Other Securities	4,822	750	10	—0—	—0—
Trading Account Securities	199	—0—	—0—	—0—	—0—
Total Earning Assets	1,574,560	197,263	98,537	20,534	14,684
Cash and Due from Banks	247,648	6,290	6,630	1,152	456
Premises and Equipment	45,092	4,211	1,969	450	117
Customers' Liability on Acceptances	26,295	—0—	—0—	—0—	—0—
Other Assets	23,541	2,778	1,041	236	184
Total Assets	$1,917,136	$210,542	$108,177	$22,372	$15,441
Liabilities					
Deposits	$1,437,087	$180,397	$ 96,961	$20,029	$14,173
Borrowed Funds	288,347	8,875	1,500	311	—0—
Capital Notes	20,000	—0—	600	—0—	—0—
Liability on Acceptances	26,322	—0—	—0—	—0—	—0—
Other Liabilities	12,735	1,026	1,106	239	170
Total Liabilities	1,784,491	190,298	100,167	20,579	14,343
General Reserve	—0—	8,451	—0—	—0—	—0—
Capital:					
Common Stock	26,797	4,473	1,457	300	146
Surplus	55,204	5,527	5,043	700	554
Retained Earnings	50,644	1,793	1,510	793	398
Total Capital	132,645	11,793	8,010	1,793	1,098
Total Liabilities, Reserve and Capital	$1,917,136	$210,542	$108,177	$22,372	$15,441

FINANCE COMPANY AFFILIATES—COMBINED

BALANCE SHEET—December 31, 1977

	In Thousands of Dollars
Assets	
Installment Loans:	
COLONIAL FINANCIAL SERVICE, INC.	$20,898
MAJOR FINANCE CORPORATION	10,603
PEOPLES INVESTMENT COMPANY	20,766
PROTECTIVE LOAN CORPORATION	8,632
Total Installment Loans	60,899
Less Allowance for Loan Losses	1,583
Net Loans	59,316
Cash and Due From Banks	900
Other Assets	6,724
Total Assets	$66,940
Liabilities	
Borrowed Funds:	
Short-Term	$25,312
Long-Term	27,158
Total Borrowed Funds	52,470
Other Liabilities	3,521
Capital	10,949
Total Liabilities and Capital	$66,940

STATEMENT OF INCOME—Year 1977

Interest Income	$10,532
Interest Expense	3,640
Interest Differential	6,892
Other Income	677
Income Net of Interest Expense	7,569
Salaries and Employee Benefits	2,824
Provision for Loan Losses	827
Other Expenses	2,380
Total Operating Expenses	6,031
Income Before Taxes	1,538
Federal Income Taxes	690
Net Income	$ 848

Centran
Corporation

Officers

John A. Gelbach—*Chairman and President*
Chairman and Chief Executive, Central National Bank of Cleveland

Charles S. Lawrence III—*Vice President*
President, Central National Bank of Cleveland; President, Central Cleveland International Bank

Gordon J. Sevold—*Treasurer*
President, Investors Income Insurance Company

Hubert P. Martin—*Secretary*
Vice President, Secretary, and General Counsel, Central National Bank of Cleveland; Secretary, Central Cleveland International Bank

Gregory R. Poore—*Assistant Secretary*
Assistant Secretary and Assistant Counsel, Central National Bank of Cleveland

Directors

John A. Gelbach
Chairman and President, Centran Corporation

Otes Bennett, Jr.
President and Chief Executive, The North American Coal Corporation, mining and marketing of coal

Joseph A. Boyd
President, Harris Corporation, manufacturer of communications and information handling equipment

Frederick R. Eckley*
Former President, The Ohio Bell Telephone Company

Robert L. Fairbank*
Former President, Towmotor Corporation, manufacturer of industrial trucks

William F. Hauserman
President, Hauserman, Inc., manufacturer of movable walls, cabinetry and accessories for commercial, industrial and school buildings

Albert M. Higley, Jr.
Chairman and Treasurer, The Albert M. Higley Company, general contractor

J. Robert Killpack
Executive Vice President—Finance, Eaton Corporation, manufacturer of automotive, materials handling and industrial and consumer products

Charles S. Lawrence III
Vice President, Centran Corporation

George S. Lockwood, Jr.
Managing Partner, Ohio Gas and Oil Development Co., developer of natural gas and petroleum reserves

John J. Loftus
Executive Vice President, Republic Steel Corporation, manufacturer of steel

Morton L. Mandel
Chairman of the Board and Chief Executive Officer, Premier Industrial Corporation, manufacturer and supplier of industrial maintenance products, firefighting accessories and electronic components

Harry T. Marks*
Former Chairman of the Board and Chief Executive Officer, Ferro Corporation, a diversified, multinational manufacturer of specialty materials for industry

Robert D. McCreery
President, H. L. McCreery and Son, Inc., Industrial distributor

Thomas J. Quigley
Partner, Squire, Sanders & Dempsey, Attorneys-at-Law

Thomas A. Quintrell
Partner, Arter & Hadden, Attorneys-at-Law

Karl H. Rudolph
Chairman of the Board and Chief Executive, The Cleveland Electric Illuminating Co., electric utility

Donald G. Stevens
Former Senior Vice President, The Standard Oil Company (Ohio), integrated oil company

Renold D. Thompson
Executive Vice President—Operations, Oglebay Norton Company, mining of iron ore, coal, and silica sand, transportation and cargo dock service on the Great Lakes, and specialized services and products to the steel industry

Ernest M. Wuliger
President, Ohio-Sealy Mattress Manufacturing Co., bedding manufacturer

Nominees for election at 1978 Annual Meeting:

Thomas C. Mungenast, Sr.
General Manager, Greater Cleveland Group, Sears, Roebuck and Co., retailing

Arne Obel
Executive Vice President, Diamond Shamrock Corporation, producer of chemical products and developer of petroleum and natural gas

Ward Smith
President and Chief Administrative Officer, White Consolidated Industries, Inc., diversified manufacturer of products for the home and machinery and equipment for industry

* *will not stand for re-election at 1978 Annual Meeting in conformance with the Board's policy on the retirement of Directors*

Directory of Affiliates

Commercial Bank Affiliates

Central National Bank of Cleveland
800 Superior Avenue; Cleveland, Ohio 44114
Telephone: (216) 861-7800
Telex: 980-174
John A. Gelbach, Chairman and Chief Executive
Charles S. Lawrence III, President

Executive Vice Presidents:
James M. Large, Jr.
John M. McEwan
A. W. Redmon
Jack C. Rothwell

Senior Vice Presidents:
Robert C. Bensing
Alan G. Brant
Richard I. Kuhn
Frederick Lynch, Jr.
James H. Wright

Centran Bank of Akron
157 South Main Street; Akron, Ohio 44308
Telephone: (216) 434-1681
John B. McCarter, Chairman and Chief Executive
Gerald M. Foley, President
James R. Bray, Senior Vice President

Vice Presidents:
Barry W. Brockenbrough
L. T. Buttermore
William H. Evans III
Philip M. Hamilton
Thomas D. Johnston
William T. Moore
Thomas J. Osborne
Henry L. Palombo
William H. Parmelee
Malcolm Rowan
John W. Wressell

The Richland Trust Company
3 North Main Street; Mansfield, Ohio 44901
Telephone: (419) 522-4411
William P. Jilek, President and Chief Executive

Senior Vice Presidents:
Richard L. Adams
S. A. Foltz
D. Eugene Yarger

Vice Presidents:
W. R. McCullough
Harlan McDaid
Jesse T. Mickley
Joseph O. Weirick

The Farmers and Savings Bank
120 North Water Street; Loudonville, Ohio 44842
Telephone: (419) 994-4911
Arnold Girbach, President and Chief Executive
Stanley D. Young, Vice President

The Sutton State Bank
1 South Main Street; Attica, Ohio 44807
Telephone: (419) 426-3641
A. J. Sutton, President and Chief Executive

(Affiliate banks are members of Federal Deposit Insurance Corporation)

International Facilities

Central Cleveland International Bank
55 Broad Street; New York, New York 10004
Telephone: (212) 825-9200
Telex: 12-7779 Centralint
George C. Pollard, Vice President & Manager

Paris Representative Office
33, rue Galilee 75116 Paris, France
Telex: 620615 Paris
Douglas C. Mory, Representative

Mexico City Representative Office
Paseo de la Reforma 292-501; Mexico 6, D.F., Mexico
Telex: 017-75-722
Timothy L. Nichols, Representative

Nassau Branch
P.O. Box 7768; The Bahamas

Consumer Finance Affiliates

Colonial Financial Service, Inc.
3125 Independence Drive; Birmingham, Alabama 35209
Telephone: (205) 870-4400
Robert Brannon, President
Ben G. McDaniel, Executive Vice President

Major Finance Corporation
Montgomery Center Building;
8630 Fenton Street; Silver Spring, Maryland 20910
Telephone: (301) 587-5725
Morton Sturt, President

Peoples Investment Company
4th & Market Streets; Louisville, Kentucky 40202
Telephone: (502) 585-5004
Harry J. Klein, Chairman
J. William Frentz, President

Protective Loan Corporation
41 State Street; Albany, New York 12207
Telephone: (518) 434-6165
Robert L. Freedman, President

Centran
Corporation

Corporate Information

Centran Corporation

Central National Bank Building
800 Superior Avenue
Cleveland, Ohio 44114

Telephone: (216) 687-1200
Telex: 980-174

Capital Stock

Centran Corporation's common stock is traded over-the-counter and is included in the NASDAQ system under the symbol, "CENB." Price quotations appear in the National List.

The Corporation's preferred stock is not publicly traded.

Market and Dividend Information

The high asked and low bid prices of Centran's common shares, as reported by NASDAQ, and the dividends paid on such shares in each quarterly period during the past two years were:

	Quarter	Dividend	High	Low
1976	First	$.425	$22¼	$17⅛
	Second	.45	23⅝	20⅜
	Third	.45	23⅝	22⅜
	Fourth	.45	27¼	22¾
1977	First	.45	26⅞	25
	Second	.475	26⅜	25¾
	Third	.475	27	25¾
	Fourth	.475	25¾	23¾

Form 10-K Available to Shareholders

Shareholders may obtain a copy of Form 10-K, filed with the U.S. Securities and Exchange Commission, upon written request to Gordon J. Sevold, treasurer, Centran Corporation, at the address listed to the left.

This report will be available without charge after March 31, 1978.

Annual Meeting of Shareholders

Centran Corporation's Annual Meeting of Shareholders will be held at 9:30 a.m. Tuesday, April 18, 1978, in the Central National Bank Building, 800 Superior Avenue, Cleveland, Ohio.

Transfer Agent

Morgan Guaranty Trust Company of New York
30 West Broad Street
New York, New York 10015

Shareholders should direct inquiries concerning dividend checks, the automatic dividend reinvestment plan, or their shareholder records to the transfer agent. Please indicate that your correspondence is "Reference: Centran Corporation."

Independent Auditors

Ernst & Ernst
1300 Union Commerce Building
Cleveland, Ohio 44115

Additional Information

Analysts, other members of the investment community, and shareholders desiring financial information about Centran Corporation should contact Gordon J. Sevold, treasurer, at (216) 687-1200, extension 3267.

News media representatives should contact Roger H. Hippsley, director of communications and public relations, at (216) 687-1200, extension 2336.

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